

FINANCIAL TIMES

Europe's Business Newspaper

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MAN OF
THE YEAR
Bill Gates
Page 6

Russia condemned for strong-arm tactics in Chechnya

The Russian government is facing increased international and domestic criticism over its strong-arm tactics in Chechnya as the region's leaders claim a fire at a Grozny refinery, apparently started by Russian bombardment, threatened environmental catastrophe across the Caucasus. The Russian government also seemingly spurned an offer of a new year ceasefire as renewed fighting left at least two Russian soldiers dead. Page 24

Russian output halved in three years: Russian industrial output fell 21 per cent in 1994 and is now at less than 45 per cent of its 1991 level, the economics ministry said. Page 2

Scalfaro rules out snap poll: Italian president Oscar Luigi Scalfaro ruled out a snap election and committed himself to finding a new government. Page 2

Czech telecoms chairman deposed: The chairman of SPT Telecom, the Czech Republic's national telephone operator, has been deposed in a row over a contract for telephone cards as international buyers compete for a 27 per cent stake in the company. Page 24

BNF to get £100m compensation: British Nuclear Fuels will receive cancellation penalties totalling nearly £100m (£156m) from two German utilities which have cancelled orders for fuel reprocessing at its Thorp plant in north-west England. Page 5

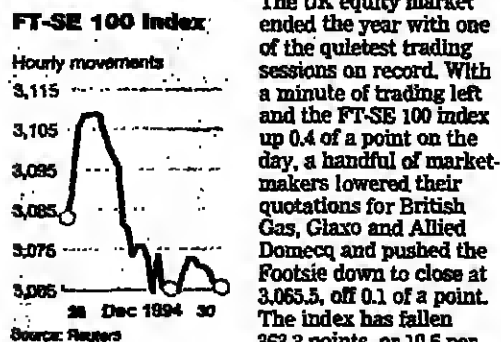
Two shot dead at US abortion clinic: A gunman opened fire on staff and patients at two abortion clinics in a Boston suburb, killing two women and wounding at least five other people. Page 24

Marginal house price rise likely: UK house prices are likely to rise by only 2 per cent in 1995 because of government plans to restrict mortgage interest payments for those on income support, the Council of Mortgage Lenders said. Page 24

Athens's debts could reach £15m: Athena Holdings' external creditors are owed between £10m and £15m (£16.8m-\$22.4m) according to the administrative receivers appointed to the failed UK card and poster shop group. The receivers were not able to estimate how much of the debt was guaranteed by parent company Pentos. Page 8

UK regions prosper more than London: Most UK regions prospered more than London and south-east England last year, reducing slightly the north-south divide, the Central Statistical Office reported. Page 5

Footsie ends 363.3 points down on year



Source: Reuters

Verdict on Stanhope's future 'within days': Embattled UK property developer Stanhope, which is struggling to cope with its banks' decision not to extend its credit facilities, said a decision on its future would be made within days. Page 8

US speaker swaps \$4.5m for a dollar: Newt Gingrich, next speaker of the US House of Representatives, answered critics of a \$4.5m book advance by saying he would exchange it for a single dollar and the hope that he would earn royalties. Page 3

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Honours for Tory aide and Labour leader's widow

By Kevin Brown,
Political Correspondent

Mrs Sarah Hogg, outgoing head of Mr John Major's policy unit, and Mrs Elizabeth Smith, widow of former Labour leader John Smith, are made life peers today in a New Year honours list that rewards 1,080 people for political or public service.

The two women, who plan to play active roles on opposite sides of the House of Lords, are among four new life peers, two Companions of Honour, three privy councillors, 53 knights and dames, and 1,018 commanders, officers and members of the Order of the British Empire.

Downing Street said that 393 of the people on the list had been nominated by members of the public under Mr Major's 18-month-old initiative to democratise the honours system - 140 more than last year.

The identities of the publicly-nominated recipients were not revealed, but are likely to include Joanna Lumley, star of the TV series *Absolutely Fabulous*, who was appointed OBE, and Eric Clapton, the rock guitarist, also made an OBE.

Other high profile recipients included Felicity Kendal, the actress (CBE), Michael Bentine, the former Goon (CBE), Alex Ferguson, the Manchester United

manager (CBE), Jimmy Hill, the football commentator (OBE), and Jonathan Davies, the rugby league footballer (MBE).

Knights include Mr Gavin Laird, general secretary of the Amalgamated Engineering Union, thought to be the first trade union leader to accept a knighthood since Sir John Boyd, his predecessor, was knighted in 1979.

Also knighted are David Puttnam, the film maker, Robert Stephens, the actor, Mr Rocco Forte, chairman of the Forte leisure chain, and Mr Ronald Hampel, chief executive of ICI.

Other businessmen knighted include Mr Bruce Patullo, chief

executive of Bank of Scotland, Mr Ian Prosser, chairman of Bass, Mr Geoffrey Whalen, former managing director of Peugeot Talbot, and Mr Gerald Whent, chief executive of Vodafone.

Downing Street said 40 per cent of those honoured had been recognised for their contribution to voluntary service, compared with 330 in the previous list.

Officials pointed to awards to a range of "ordinary people", including a roadsweeper and a blacksmith, as evidence that Mr Major's campaign to make the annual list more open is succeeding.



Details, Page 5 Rocco Forte: a knighthood



Joanna Lumley: an OBE



North Korean soldiers watch as US pilot, Chief Warrant Officer Bobby Hall, crosses the border into South Korea after his release yesterday, almost two weeks after his helicopter was downed. Report, Page 3

Campaign for clarity targets EU obscurity

By Alice Rawsthorn and
David Gardner

In Brussels it is widely recognised that directives - or EU laws - are written in a prose so execrable that it violates all the languages of the Union.

But from tomorrow Eurocrats in their multilingual drafting committees should watch out. The Plain English Campaign, the linguistic pressure group which is the self-appointed scourge of verbose British bureaucrats, is waging war on Euro-obscurity.

The campaign is launching a lobby to ensure that all information released to the public by the European Commission is easy to understand. Though it has clashed with the Commission over incidents of verbosity, this will be its first all-out assault on catastrophes of comprehension.

No longer should Article 8a of the Maastricht treaty, "Comitology", "False 12 Points", or the ubiquitous Euro-grunt of "Er, Er" be daily currency in Brussels, though making headway might be difficult.

The last, a violation of (French)

Mexico in talks on international support package

By Stephen Fidler and
Ted Bardecke in Mexico City

Mexican government officials were yesterday in intense discussions to put together an international financial support package for an economic stabilisation plan aimed at limiting the damage from last week's peso devaluation.

It would include support from the US and Canada beyond a \$7bn (\$1.4bn) credit line already agreed, a credit from other central banks arranged through the Bank for International Settlements in Basel, and funds from international commercial banks. Finance is also expected from the International Monetary Fund.

According to bankers, Mr Cuillerio Ortiz, Mexico's new finance minister, telephoned Mr John Reed and Sir Dennis Weatherstone, chairman of Citibank and retiring chairman of J.P. Morgan respectively, on Thursday, to ask them to arrange the credit line. Mr Reed and Mr William Rhodes, Citibank vice-chairman, were seeking support from international banks yesterday.

Bankers said there was still

uncertainty about the exact nature of the proposed credit, but a loan or standby financing of some \$3bn to \$6bn was being talked about. They said that, overall, extra financing of \$8bn or more was possible. However, lenders hope the scale of international backing for the new government of President Ernesto Zedillo would so boost confidence among investors that the credits would not have to be used.

Mr Zedillo is due on Monday to give details of the stabilisation plan, which is still under discussion within his government. The government is also considering basing its new budget on an exchange rate of 4.5 pesos to the dollar, though it hopes it will be stronger. At midday yesterday the peso was slightly down from Wednesday's close, trading at 4.975 to the dollar.

An inflation target of 15 per cent for 1995 is being discussed, save a 5 per cent reduction in aggregate demand. The aim is to cut the current account deficit from close to \$30bn this year, to

Continued on Page 24
President calls for new pay and prices pact, Page 3

Major condemns Labour plans as dangerous

Blair signals start of devolution battle and Lords' reform

By Kevin Brown,
Political Correspondent

Mr Tony Blair will today signal the start of a constitutional battle with the Tories by setting out proposals for devolution - condemned yesterday by Mr John Major as "one of the most dangerous propositions ever put before the British nation".

Mr Blair plans to mount a strong defence of his plans to set up a Scottish parliament and a Welsh assembly, reform the House of Lords and trim the monarchy, in a long-planned interview on BBC radio.

Officials said he would reject Mr Major's demand, in a BBC radio interview yesterday, for referendums on plans to establish the Scottish and Welsh assemblies in the first year of a Labour government.

Mr Blair will argue that referendums are unnecessary because the legislation will have been preceded by a general election in which the voters will be offered a clear choice between the main parties' manifestos.

Labour officials dismissed the prime minister's attack on their

party's plans for Scotland and Wales as a sign of his "desperate" need to divert attention from the government's problems over Europe.

However, leaders of both parties believe domestic constitutional issues will be at the forefront of the next election campaign, alongside the UK's relationship with the European Union.

Mr Major, who sees his decision to campaign for the integrity

Labour prepares for minimum wage battle, Page 4

of the UK as a crucial factor in the Conservatives' 1992 election victory, used his interview to attack Labour's motives.

Claiming that Labour leaders had failed to think through devolution, he warned of a constitutional impasse if a Scottish National party majority in the Scottish parliament sought to secede from the UK.

"It is done for short-term political advantage to the Labour party because they are seeking to cash in on the innate pride in

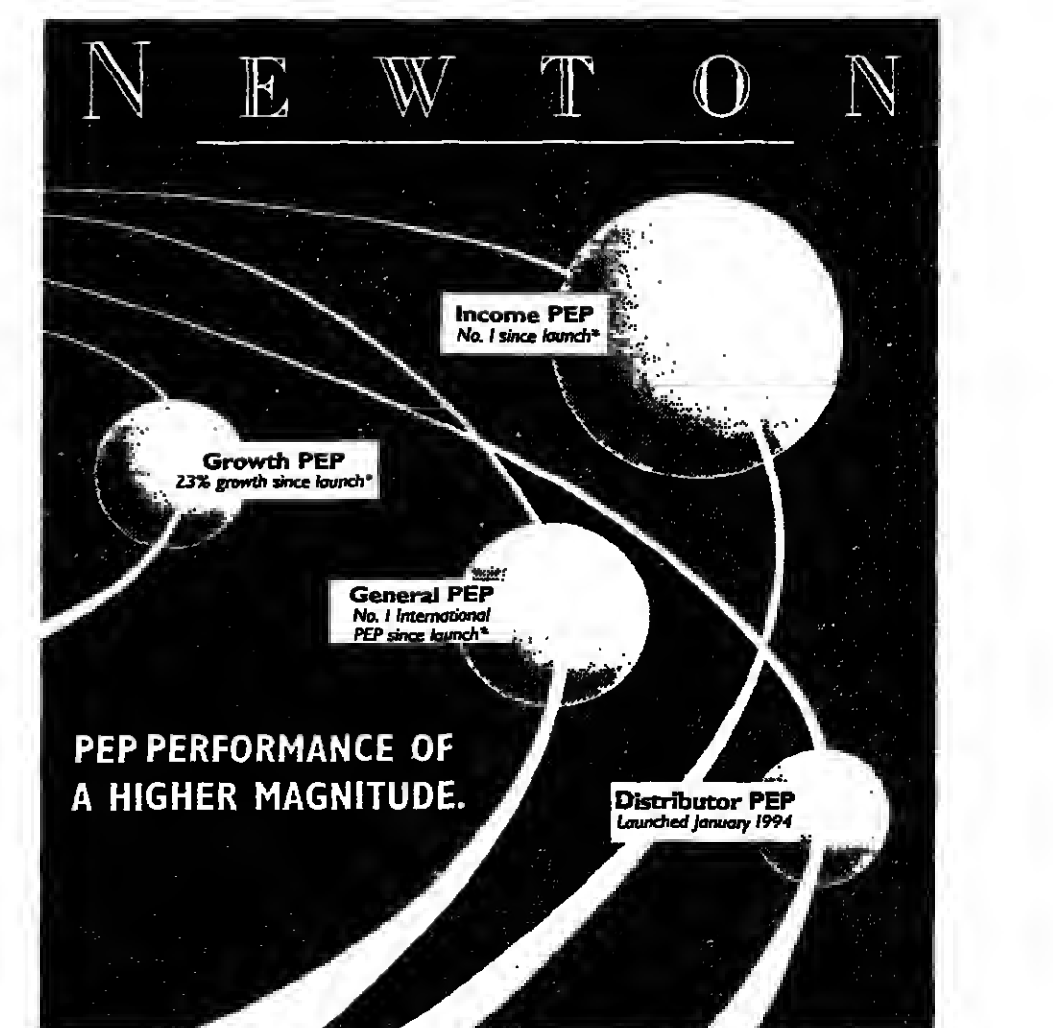
being Scottish that the Scots feel, and they have given no thought whatsoever to the future unity of the UK," he said.

The prime minister's decision to play the constitutional card prompted a derisive response from the opposition. Mr George Foulkes, a Scottish Labour front-bencher, said Mr Major had "gone completely off his rocker".

Mr Menzies Campbell, a Scottish Liberal Democrat, said home rule would strengthen the UK and warned that "blind refusal to acknowledge the need for constitutional reform plays directly into the hands of the separatists".

In a wide-ranging interview, Mr Major also admitted that there was "gloom" over interest rates, and conceded that the economy had undergone "a bumpy ride". But he held out the prospect of "a golden prize" of prosperity to come.

In an attempt to douse the flames of Tory battles over Europe, the prime minister claimed that federalism was on the wane, and forecast an end to Conservative divisions on the issue.



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NEWS: INTERNATIONAL

Swedes count the European costs of bananas and whisky

Hugh Carnegie reports on a nation already unsettled by changes, violence and unemployment as it takes on membership of the EU

After the fiery debates of autumn when Sweden held its referendum on joining the European Union, the occasion of accession tomorrow (with Austria and Finland) will be notable chiefly for its effect on the price of bananas (going up) and whisky (going down).

The Social Democratic government plans no special ceremonies to mark the day. For most citizens, the biggest effect in the coming weeks will be a mix of price changes: the price of bananas, rice and some clothing will rise because of imposition of EU tariffs, while the prices of other food imports and spirits will fall as local trade barriers come down.

The act of joining the Union, although a significant strategic shift for Sweden, is causing little excitement among Swedes. Rather, the country ends the year in a mood of introspection after a series of recent events have combined to induce an

unsettling feeling of change in a society which has long prided itself on its stability, prosperity and social cohesion.

Most dramatically, this year has seen a spate of brutal violence that has provoked an anguished public debate over such highly sensitive issues as child care and immigration. In December alone a gunman shot dead four people and wounded more than 20 outside a Stockholm nightclub; two former soldiers lobbed grenades and opened fire on police in a Hollywood-style riot in the city; and a Vietnamese immigrant shot and wounded five relatives in a domestic row in south Sweden.

Although a quite different event, the sinking in September of the Baltic ferry Estonia, with the loss of 900 lives, had an even more profound effect on a neutral nation with very little experience in this century of violent death.

In the meantime, the country has grown all too familiar with the double-edged economic crisis of record levels of unemployment and a yawning budget deficit which has left Sweden with the fastest growing public debt in the industrialised world. To tackle the deficit, the government is having to impose tough tax rises and public spending cuts that slice at the heart of the welfare system.

"Even if some of the things happening don't have anything in common, lots of things have happened in the last year that suddenly give us the feeling that this is not the Garden of Eden any more," is the wry comment of Ms Ursula Berge, the political editor of the Norrby Social Democratic daily newspaper in northern Sweden.

Certainly, the adjustments now under way in the economy involve a real turn for the worse. Total unemployment has

jumped since the turn of the decade from about 5 per cent of the workforce to more than 13 per cent. The Social Democrats, architects of the welfare state, are engaged in a painful internal struggle to agree on the scale of cuts necessary in such core programmes as universal child allowance payments to bring the budget deficit under control. The vast majority of Swedish families will have lower net income in 1995 than in 1994. "People are having to realise that these problems will not be solved overnight," says Ms Berge.

To those who supported joining the EU, membership is part of the solution. The hope is that being part of the Union will help cement the investment and produce the coherent economic policies needed to secure growth and reduce unemployment.

The question is, however, to what extent Sweden can return to the cosy certainties of the past, as many Social Democrats

clearly wish. With public spending now accounting for 70 per cent of GNP, far above the European average, a permanent reduction in the scope of the welfare state seems unavoidable.

The nature of Swedish society is also undergoing a challenge, chiefly through the effects of the country's own generous refugee policy, which has led to a significant immigrant population. About 1.5m of Sweden's 8.8m people were born outside Sweden, or their parents were. Although Sweden has not experienced the scale of anti-immigrant reaction seen in Germany or France, the issue of reconciling the integration of immigrants with the preservation of traditional Swedish society is a recurrent theme in public debate.

By no means everyone takes a pessimistic view of the way things are going, however. Mr Lars Christianson, formerly chief spokesman for Mr Carl Bildt, the

reformist prime minister from 1991 until September this year, says it is a "myth" to believe that Sweden had ever achieved a state of perfect equilibrium.

Rather he stresses that since the late 1980s there has been a growing realisation that Sweden has to adjust - particularly to swing back the balance in the economy towards the private sector and halt a trend that has seen Sweden slip since 1970 from third place in the world league of GNP per head to 16th place.

"Swedish society is not that homogeneous any more," says Mr Christianson. "Change is inevitable. It is there and it will go on. There are bad social effects - but they are exaggerated."

The most powerful new recruit to the EU will be at home round the table in Brussels, where his new colleagues have their minds on problems at home and only half an eye for Europe.

Russian output halved in 3 years

By John Thornhill in Moscow

Russian industrial output fell 21 per cent in 1994 and is now at less than 45 per cent of its 1991 level.

Light industry, machinery, chemicals and pulp and paper sectors were among the worst affected sectors although there are signs that the decline is beginning to level off. Gross domestic product is estimated to have fallen 15 per cent.

Some economists have argued that the shake-out should ultimately benefit Russia's economy because it stops companies using inflationary state credits to manufacture goods nobody wants, in theory, this should enable capital to be redeployed to more productive uses.

But overall capital investment fell 37 per cent between January and November and by the end of the year it is forecast to stand at just 39 per cent of 1991 levels. A budget deficit of 10.7 per cent of GDP by November and "grossly inefficient" tax collection also resulted in underfunding of science and education.

The decline in production has swollen the ranks of the officially-registered unemployed to 2.6 per cent. But this figure would possibly be five times higher under the international Labour Organisation's methodology, which takes account of "suppressed unemployment".

The statistics from the Economics Ministry also reveal how the gap between rich and poor is widening sharply. The top 10 per cent of the population earn 14 times the income of the poorest 10 per cent compared with a ratio of 5.4 times three years ago.

The Russian statistics committee said inflation in December reached 16.4 per cent, bringing price increases in 1994 to 230 per cent. Inflation has been stoked by excessive credit in the summer and surging inflationary expectations.

Pegging inflation back to a monthly rate of 1.2 per cent by the end of next year is the central element of Russia's 1995 budget plans, although they depend on up to \$13bn of financial support from the International Monetary Fund and World Bank.

However, the government's finances are coming under strain from the Chechen crisis, whose estimate is costing \$500m a day.

This week, Mr Yevgeny Yasin, the economics minister, said Russia could soon face a stark choice between war or reform.

The rouble ended the year at 3,550 to the dollar compared with 1,247 at the start. Since Black Tuesday on October 11, when the rouble lost a fifth of its value, the currency has risen slightly against the dollar in real terms.

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Mexican president calls for new pay and prices pact

Ted Bardacke and Stephen Fidler look at Zedillo's narrowing post-devaluation options in battle against inflation

Attempting to calm fears about an inflationary spiral, Mexican President Ernesto Zedillo claimed in a nationwide address on Thursday that any devaluation-inspired economic problems would be "transitory". To get through this period, the president said, a new accord would be reached between business and labour to prevent wages and prices from getting out of hand.

Attention has now turned towards intense negotiations to revise the Pacto, Mexico's basic economic covenant among the leaders

of government, business and labour. If the new Pacto can work, Mexico could yet emerge from the present crisis on a stronger footing. If it fails, the problems deriving from devaluation will be much more lasting.

Mr Santiago Oñate, labour secretary, said wage increases would be held to no more than 7 per cent next year. However unions are demanding more because prices for many goods have already been marked up in shops.

The Pacto began as a stop-gap

measure in November 1987 when inflation hit 157 per cent and the Mexican economy was threatening to unravel. The government mobilised its considerable political might, brought unions and business leaders to the table and hammered out an agreement that was critical in reducing inflation considerably and wages even more.

The Pacto was criticised by market-oriented economists for preventing the establishment of market rates for labour - and thereby increasing unemployment. Nonetheless,

Mr Adrian Lajous has been named the new director of Pemex, the Mexican state oil monopoly. He is known to favour increased private participation in the petroleum sector and his immediate task will be to privatise the company's petrochemical plants.

less, under the administration of Mr Carlos Salinas, the former president, the Pacto became the cornerstone of economic decision-making, with every significant change in

economic policy - wage and price increases, changes in exchange rate policy, government economic projections - announced as part of a revised Pacto. It was Mexico's corporate political system working at its finest, with new Pacto's announced, on average, every nine months.

Mexico is different now, both politically and economically. The Pacto under Mr Salinas brought inflation down using a tightly controlled exchange rate policy as its main hinge. That basic component

is no longer an option. With a floating exchange rate, controlling inflation is going to be a function largely of lowering aggregate demand via a suppression of wages. If wages rise too rapidly, the boost to competitiveness that should come from a devaluation will be lost.

"More important than prices, the government is going to have to find a way to hold the line on wages," says Mr Felix Boni, director of economic research at Interacciones, a Mexican brokerage house. "It is

going to have to be a throwback to the old corporatist days." But at a time when Mexico's corporatist structure is under threat from continued political instability, controlling the unions may prove difficult. Getting the leaders to sign should not be much of a problem - in Mexico they are used to being told what to do. But the fact that real wages only began to recover in 1993 after a 10-year fall may mean that keeping the unions' rank-and-file from getting restless will be much tougher than in the past.

N Korea releases captured US pilot

By John Burton, Seoul Correspondent

North Korea yesterday returned a US army pilot captured two weeks ago after his helicopter was downed over its territory.

The release of Chief Warrant Officer Bobby Hall appeared to ensure that the recent US-North Korean nuclear agreement will proceed smoothly after Washington warned earlier that his continued detention could jeopardise the accord.

The US is "pleased that we can now look to the future and implement the important project," said Mr Thomas Hubbard, deputy assistant secretary of state, who spent two "difficult" days in Pyongyang negotiating Mr Hall's release.

Under the nuclear accord, the US has promised to establish diplomatic ties with North Korea and guarantee international aid if Pyongyang abandons its nuclear programme.

The return of Mr Hall was the result of a diplomatic compromise. The US expressed regret for the intrusion of the helicopter into North Korean airspace which Washington said was an accident caused by a navigational error.

The US did not offer a formal apology as demanded by North Korea, which claimed the helicopter was on a spy mission and portrayed the incident as an affront to its national honour.

However, North Korea appeared satisfied by a "confession" signed by Mr Hall, which described the "illegal intrusion" as a "criminal action" and asked for forgiveness by Pyongyang.

North Korea claimed the US had agreed to further bilateral military contacts to prevent future incidents.

Pyongyang also said the US would co-operate in forcing South Korea to return North Korean prisoners of war it is allegedly holding. But Mr Hubbard denied that the US had given such commitments.

President Bill Clinton said the US had not offered any concessions to North Korea to secure Mr Hall's release, including any plans to exclude South Korea from future US contacts with Pyongyang.

"We are faithful to all our commitments to our allies and to our commitments to our own policies," said Mr Clinton.

South Korea had expressed concerns that North Korea might try to exploit the incident to strengthen its relations with the US in the hope that it would weaken Washington's support for Seoul.

Soaring inflation likely to stop China freeing prices

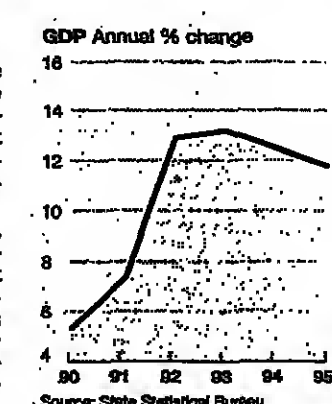
By a Correspondent in Beijing

Continuing inflation of more than 20 per cent is likely to forestall further price liberalisation in China during the first part of 1995, a government statistic official suggested yesterday.

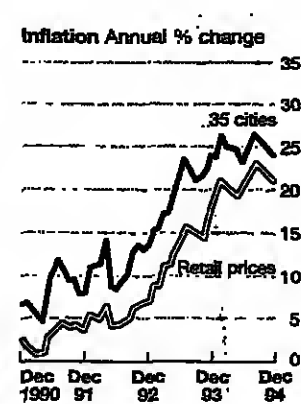
The State Statistical Bureau, China's chief economic monitor, reported that 11.8 per cent growth in gross domestic product in 1994 lifted retail prices 21.7 per cent and the consumer price index by 24.3 per cent for the year. That inflationary increase is more than double the government's target of 10 per cent for 1994.

Mr Ye Zhen, the bureau spokesman, said China's GDP was ¥14,300bn (\$328.5bn) in 1994, the first time national domestic output has crossed the ¥14,000bn threshold. The rising growth rate substantially overshoots the government's goal of 9 per cent, set in a bid to cool inflation.

In a reversal of a slight downward price trend recorded in November, the spokesman forecast that inflation would continue to rage into early 1995. He said it would begin to slow as control measures took effect and would eventually show a "big decrease" for the



Source: State Statistical Bureau



Source: State Statistical Bureau

full year. He declined to provide an inflation target for 1995.

This year, the Chinese economy suffered from "excessive price rises", Mr Ye said, as well as reduced grain output and mounting subsidies for state-owned enterprises. He admitted the 1994 inflation target was unrealistic because statistics officials underestimated the impact of the lifting of price controls and had not anticipated the effects of floods and drought that reduced grain production by 2.5 per cent. But even such setbacks were not enough to destabilise supply and demand as the agriculture

sector grew 3.5 per cent in 1994.

The government, reluctant to close thousands of loss-ridden state enterprises because of fears of mass unemployment and worker unrest, reported that these companies' losses as reflected in the state budget jumped 27.6 per cent last month. Industrial output was reported to have surged by 18 per cent in 1994.

With state industry and pricing reform stalled by economic and political uncertainty, western analysts predict the bleak inflation outlook will not improve soon, since the government seems ready to toler-

ate continued subsidies to state-owned factories and sharply higher food prices to placate struggling farmers.

With almost 200m rural Chinese in migratory flux between the countryside and cities "the government can ill-afford a greater flood to the cities where there are no jobs for the existing workers, let alone newcomers," said a western economist.

A long commentary by the New China News Agency said over 40 large Chinese cities reinstated controls this year to stop price exploitation and profiteering. Shanghai, Beijing, Guangzhou and other cities reported rises in food prices ranging from 27 to 30 per cent in November. The news agency said: "Macro-economic control will continue to play an important part in the country's price control campaign."

China, meanwhile, registered a \$5bn (\$3.2bn) trade surplus, the first in three years. Exports rose 30 per cent to \$120bn against a 10 per cent increase in imports to \$115bn. At the end of November, foreign exchange reserves stood at \$49.9bn compared to \$21.2bn at the end of 1993. China expects more than a doubling of reserves for all of 1994.

Loan shark attack in Taiwan

Cash is the lifeblood of Taiwan's small businesses, which form the backbone of the island's economy. But in a country where access to short-term financing through legal channels is limited, the price of money is dear - and often dangerous.

Tolerated by authorities, illegal money-lending has long been a fixture of Taiwan's financial landscape, dominated by highly conservative state banks. Despite reforms in recent years, gaping inefficiencies remain in the formal banking system.

Black market finance operations in various guises are finding new, improved niches and proliferating. Such lenders are becoming bolder and often place advertisements in newspapers offering "car loans", "credit card loans" and "housing loans".

Small business people complain that as a rule existing financial institutions are unwilling to extend loans for small amounts, especially without some form of collateral. It takes at least a week to process an unsecured short-term consumer-type loan from most Taiwanese banks, which will usually require that two people serve as personal guarantors to the borrower. Such barriers are insurmountable for many people in need of quick cash.

A Taipei real estate agent explained: "Say you have to meet a payment deadline at three o'clock Wednesday afternoon. But one of your customers failed to pay you on Monday, and you can't raise the cash until Friday. You can either default or go to the underground banks. Unless you want to watch your business go under you have no choice."

Illegal money lenders are becoming increasingly sophisticated and disruptive, writes Laura Tyson

Last week the government swooped on underground banks and netted nearly 100 illegal money lenders in an island-wide raid.

Mr Ma Ying-jeou, justice minister, was quoted as saying that their activities were badly affecting the operations of legal financial institutions. The widespread use of enforcers - often triad-linked - to collect bad loans posed a threat to public order, he said.

Mr Liang Kuo-shu, governor of the central bank, said earlier this week that monetary authorities would seek to establish consumer finance companies. Such financing remains scarce in Taiwan although Citibank has successfully pursued consumer finance and car loans. Lending for mortgages and cars is becoming more common among innovative local banks.

Most underground banks are loan sharks operating out of trading companies, pawn shops, jewellery shops and car showrooms lending at interest rates which start at 2.5 per cent per month and often esca-

late far higher, depending on the credit-worthiness and desperation of the customer. The loans sharks are intermediaries; the ultimate lenders are said to be wealthy individuals in politics, government or business.

One rampant form of illegal lending which especially worries authorities is the use of credit cards to obtain loans. Twenty-five "merchants" offering such services were caught in last week's raid. Credit cards are a relatively new phenomenon in Taiwan, and have become widely used only in the last two or three years. Instead of goods or services, the merchant gives out cash - for a minimum commission of 10 per cent. The credit risk is passed on to the bank that issued the card.

Compared to black market rates, credit card cash advances are attractive. Another advantage is that the Mafia is not involved.

It is feared such practices will lead to an increase in bad credit card debts, affecting social stability, causing problems for banks and threatening the development of the credit card industry in Taiwan.

The operations of underground banks are becoming increasingly sophisticated, the Justice Ministry's investigation bureau has said. Records are computerised and put into code, so investigators have difficulty finding the names of the ultimate lenders and borrowers. In newspaper advertisements, only a telephone number is provided and the call is then automatically forwarded to the lender's cellular telephone. Credit cards are swiped and loans extended by the roadside.

Gingrich gives up his \$4.5m book advance

By Jurek Martin in Washington

"I am not," Newt Gingrich proclaimed yesterday, "a normal politician." To prove it, the Speaker of the US House of Representatives announced that he was trading in a \$4.5m (\$2.9m) book advance for a single greenback and the hope that he would earn royalties from whatever he actually writes.

In a remarkable letter to fellow Republicans in Congress and in an even more extraordinary press conference in Atlanta, Mr Gingrich, fearless but as combative as ever, asserted that he was taking up his new duties next Wednesday at "a unique moment in time".

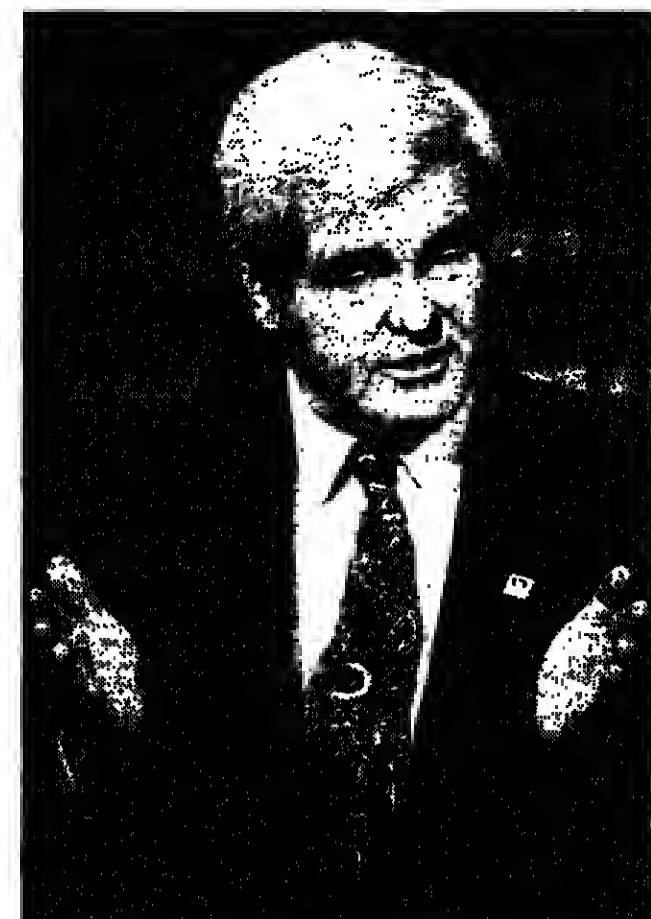
"You can't just be legal and ethical," he said, naturally claiming that he had been both. "But must think about what's good for the country." Nothing, he went on, could be allowed to weaken the Republican "contract" to reform America.

Although Mr Gingrich said he had not spoken about his book contract with the incoming Senate majority leader, the reality is that Senator Robert Dole pulled the rug from under him in a big way in year-end interviews published yesterday morning.

Mr Dole said he "did not want to pass judgment" on the book deal - and then promptly did. "It's not too popular around people who talk to me. They think it's a lot of money. It might also not look too good on the talk shows, the senator suggested, 'when you start cutting programmes that might affect a lot of low-income Americans'."

In the week before Christmas, it was announced that Mr Gingrich was about to sign a \$4.5m advance with HarperCollins, which happens to be owned by Rupert Murdoch's News Corp. for two books - To Renew America, which he would write himself, and a political anthology which he would edit.

The White House and every Democrat in sight jumped all over the news, charging that he was cashing in before he



Gingrich: "I am not a normal politician"

had even taken office and daskly wondering what it portended for the assorted regulatory matters Mr Murdoch has pending with the government.

Mr David Bonior, the Democratic whip, brandished a large imitation cheque made out to Mr Gingrich and signed by the Australian-born media magnate (who later said that he knew nothing about the book contract).

Mr Gingrich said he had had five book offers in the million-dollar-plus range, two exceeding \$4m, before settling on HarperCollins. Invoking in rapid order Winston Churchill, the three Kennedy brothers, Vice President Al Gore and the 23 sitting members of the Senate who have written books while

on the job, he could not understand he was doing anything unethical or improper. "We are not rich," he said, implying that the others did not need the money.

Only one Republican - Jack Kemp, the highly moral former housing secretary - had called him with reservations, Mr Gingrich disclosed. He said he finally decided on Thursday morning to forgo jam today and to accept simple royalties tomorrow after talking to his old congressional friend, Bob Walker from Pennsylvania. "Something you hadn't quite gotten suddenly becomes clear," Mr Gingrich said. But he dismissed his other critics as "bitter defenders of the old order" that he was intent on changing.

Kenyan go on equity buying spree

Leslie Crawford on the build-up to the Nairobi bourse opening to foreigners

The decision to open Nairobi's Stock Exchange to foreign investors from January was enough to send prices and trading volumes soaring in the last two weeks of 1994.

The NSE's cramped trading floor saw business jump by 35 per cent as local investors bought all the blue-chip shares they could handle. The NSE index rose from 4,000 points in mid-December to 4,600.40 in the final trading session of the year. But the speculative buying spree, ahead of an anticipated avalanche of foreign orders for Kenyan equity, may yet leave speculators high and dry.

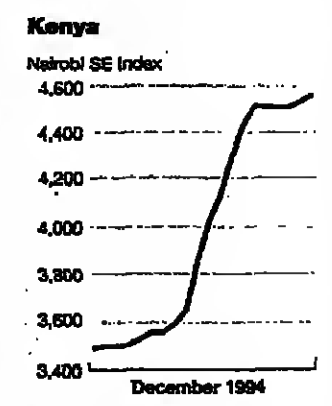
Most analysts believe foreign investors are unlikely to make an early move into Kenyan shares. Although Nairobi's 13 licensed stock brokers have been bombarded with faxes from abroad, inquiries are still at an early stage.

Factors which make Nairobi less attractive than other emerging markets include the strength of the Kenya shilling

(which makes Kenyan securities expensive in dollar terms); the expensive 2.5 per cent brokerage commission fixed by NSE members; a lack of liquidity in the market - only 2.73 per cent of the total listed number of shares are traded in a year; and relatively high price-earnings ratios, ranging from 11 to 28 for the most actively traded stocks.

In addition, the NSE has comparatively little to offer compared to its larger sister in South Africa. The NSE's 52 listed companies have a total market capitalisation of only \$2.35bn (\$1.5bn), compared with Johannesburg's market capitalisation of \$250bn.

It is true that there are many well run and highly profitable listed companies in Kenya, particularly in the financial sector and among the tea and coffee estates. But most of these tend to be subsidiaries of big multinationals - Brook Bond, Barclays, Standard Chartered, BAT - and analysts believe it may be wiser for foreign investors to buy shares



Source: Nairobi SE

in the parent companies and avoid the country and foreign exchange risks of Kenya.

"This is a very small and a highly speculative market," says one of Nairobi's top stockbrokers. "What worries me is that it might become a casino with the entry of foreign capital. You only need \$20m to manipulate Kenyan shares any way you want." The average daily trading volume rarely exceeds \$150,000.

New investment regulations aim to limit the impact of foreign capital on the small bourse by restricting foreign investors to a maximum 20 per cent shareholding in publicly quoted companies. But it is hard to foresee even that amount of shares becoming available in such an illiquid market.

Many brokers believe the NSE should concentrate on attracting more local companies and investors, before wooing foreign investment funds whose individual portfolios dwarf the size of the entire Nairobi bourse.

"We have held a number of seminars on how companies can benefit by going public," says Mr Jimmah Mbaru, NSE chairman and chief executive of Dyer and Blair stockbrokers. Since the liberalisation of interest rates last year, Mr Mbaru believes it makes more sense for Kenyan companies to finance new investments by issuing equity rather than borrowing from banks. He

expects a minimum of eight new companies to seek a listing on the NSE in 1995.

With much of East Africa adopting increasingly convergent economic policies - exchange rates are being freed, trade barriers are coming down, foreign investment is being encouraged - Mr Mbaru also believes Kenyan manufacturing companies will need fresh capital in the coming year to take advantage of an expanding regional market.

Finance houses may also be tempted to go public, as the Central Bank is raising their minimum operating capital requirements. Such changes are expected to increase the relevance of the NSE as a source of domestic capital for the Kenyan economy. But it may be wishful thinking to believe that Nairobi's still-infant stock market will attract anything more than a marginal interest from overseas.

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NEWS: UK

Labour prepares for minimum wage battle

By Kevin Brown,
Political Correspondent

Labour is to put proposals for a minimum wage at the centre of its attack on the government's employment policies in a high-profile campaign planned for the new year.

Party leaders believe that the campaign for a floor on earnings could hurt the government as much as Labour's effective attack on tax

increases since the last general election.

In a further challenge to the government's employment policies, Labour called for tougher job protection laws to prevent thousands of redundancies in the privatised utilities.

Mr Ian McCartney, shadow employment minister, claimed that the privatised utilities plan to cut 66,100 jobs over the next five years, in addition to 127,841 redundancies

since the privatisations took place.

He said: "This year will be remembered for the obscenity of huge pay rises for top executives, paid for with the jobs of loyal employees. It is the government's duty to defuse the job cuts bombshell waiting to go off in 1995."

"The government must make it plain that it is not acceptable for these utilities to lay people off just to give a short-term boost to the balance sheet."

The thrust of Labour's minimum wage campaign is set out in a letter to Labour MPs from Ms Harriet Harman, shadow employment secretary, and a close political ally of Mr Tony Blair, the Labour leader.

According to the letter, Labour will argue that the UK's job creation record is inferior to that of several countries which have a minimum wage, including the US.

The party will also seek support from employers by arguing that tax

payer-funded benefits such as family credit are subsidising low wages paid by unscrupulous companies.

Ms Harman tells Labour MPs: "We will be involving employers in the debate, many of whom treat their employees fairly, and do not want to be undercut by rogue employers."

Labour strategists believe the campaign for a minimum wage can be built on the party's successful defence of the Agricultural Wages Board, which was rescued from abo-

lition following a consensus between employers and trade unions.

Ms Harman says: "We will be linking our arguments on the minimum wage with our concern that our economy can only prosper if we have a high-skill, high-tech, high-investment, high-productivity economy."

"In 1993 and 1994 we turned tax from an issue which the Tories used against us to one which is destroying them at the polls. We will do the same on the minimum wage."

IoD chief outlines action for growth

Mr Tim Melville-Ross, director-general of the Institute of Directors, yesterday backed Mr John Major's suggestion that the scene was set for continued growth in 1995 but urged further steps to ensure prosperity.

He said that with inflation below 3 per cent, growth at 4 per cent, exports rising strongly and unemployment falling, "we have a very sound platform for cementing the recovery".

But in a new year message he stressed that other measures were needed to take full advantage of the upswing.

A business-friendly tax regime to encourage investment and expansion and a smaller proportion of the national wealth being spent by government "would put Britain back on the road to prosperity", he said.

Barclays cash withdrawals rise

More than £304m was paid out through Barclays cash dispensers in the week leading up to Christmas, an increase of almost 6 per cent on 1993, the bank said.

During the same period nearly 5m withdrawals were made, an increase of 7 per cent, according to Barclays, which operates the country's biggest dispenser network.

On December 23, the busiest day, £7.8m was withdrawn in the hour after noon. On Christmas day £2.7m was withdrawn.

Minister presses on doctors' hours

The government yesterday stepped up pressure on health authorities to reduce junior doctors' hours.

Mr Gerald Malone, health minister, urged authorities and health trusts to act as soon as possible to set up the extra 300 consultant posts he recently announced. He said: "The sooner these new consultants are in post the sooner we can achieve real and sustained improvements in hours."

Mr Malone also announced that tougher checks on the hours junior doctors worked would be introduced from February. The new system of checks would require returns on hours of work and contracted hours to be collected and validated in partnership with junior doctors, he said.

Ashdown warns on Eurorebel 'success'

By Kevin Brown

Mr Paddy Ashdown, the Liberal Democrat leader, warned in a new year message to party members that the UK's commitment to the European Union was being successfully undermined by the Tory party's Eurosceptic rebels.

He said: "European Union is the most important political idea of our century. But it is in danger of dying just when we need it most. Just when the case for the European Union is strongest, the sceptics have the best tunes to sing."

"Unless those who believe in the European project are prepared to stand up and defend their vision, then 1995 could be the year when the idea of union in Europe began to die for want of people with the courage to defend it."

Mr Ashdown accused the government of being "weak, diffident and uncertain" in the face of Eurosceptic attacks on the EU, which was the best hope for containing nationalism in western Europe and preventing war in the east.

"Britain now has a broken-backed government - a government that has lost its way, its majority in the House of Commons and the trust of the country."

Mr Ashdown said the Liberal Democrats had an opportunity to provide "the backbone for constructive change" in 1995, building on the party's victory in the Eastleigh by-election in June, its gains in the May local elections and two victories in the June European parliament elections.

However, Mr Ashdown ignored the party's steady decline to about 13 per cent of the projected vote in the opinion polls since the election of Mr Tony Blair as Labour leader last summer.



Parting shot: the Ministry of Defence severed its links with Woolwich Arsenal in south-east London yesterday when the last five workers left the site. It employed 80,000 at its peak and 30,000 during the second world war when these naval gun barrels were made

Blair allies fear Clause IV fight will harm image

By Kevin Brown

Friends of Mr Tony Blair, the Labour leader, are worried that the party's modernising image may be undermined by opposition to plans to scrap the party's Clause IV commitment to widespread nationalisation.

Amid growing evidence of unease among constituency activists, Mr John Prescott, deputy leader, insisted yesterday that reform of Clause IV was an important symbol of changes in Labour's approach to the economy.

He told BBC Radio: "Whilst public ownership is a very important element of Labour's political thinking, that clause does seem to suggest that everything could be taken into public ownership."

Mr Prescott said the leadership was not contemplating defeat at a conference in April which will decide whether to replace the Clause IV commitment to "common ownership of the means of production, distribution and exchange".

The prospect of a leadership split was reduced earlier this month when the party's

National Executive Committee decided that the conference would vote on only one alternative to the clause, ruling out compromise amendments.

However, Mr Blair is concerned that anything less than an emphatic victory will be interpreted as an indication of a split in the party and uncertainty over the direction of his leadership.

In an attempt to head off the critics, Mr Blair's senior allies are supporting pro-reform groups, including the New Clause IV Campaign, set up to argue for change in the constituencies.

Mr Kevin Barron, MP for Rother Valley and a leading member of the New Clause IV Campaign, said the group would seek to prevent constituency parties from mandating conference delegates to vote against change by passing resolutions without debate.

However, in an indication of the strength of grassroots concern, 26 resolutions defending Clause IV have been tabled for the party's Scottish conference in March, when activists hope to win an important symbolic victory over the reformers.

Monks says tide has turned decisively for unions

By Robert Taylor,
Employment Editor

The tide "turned decisively towards trade unionism" in 1994 and 1995 will be "crucial" for its continuing renewal, Mr John Monks, Trades Union Congress general secretary, says today in his new year message.

He says that unions must adopt four priorities for action in 1995:

- To win the argument for a new legal system of representation and recognition for all British workers.
- To press home the case for minimum wage legislation to protect the low-paid.
- To develop partnership relations with employers on a wider basis.
- To make the case that competitiveness and performance at work depend crucially on good training, career develop-

ment and job security rather than deregulation and insecurity.

Mr Monks also points to a wide range of issues on which he says unions have made a comeback during the past year.

These include "significant victories" to prevent Post Office privatisation and government-imposed cuts in the level of criminal injuries compensation.

Mr Monks also points to the breakthrough in the European social agenda, in spite of the government's opt-out from the social chapter of the Maastricht treaty.

He also draws comfort from a report by the Tory-dominated Commons employment committee which recognised that unions had a positive role to play.

"Its language was light years away from the rhetoric of the

'enemy within' and crude hostility to unions of the 1980s", he said.

Mr Monks added that the standing of unions had never been higher than it was now among the public, while job insecurity and concern over top executive pay rises had heightened the attraction of belonging to a trade union.

In his new year message Mr John Edmonds, general secre-

tary of the GMB general union, said union negotiators should seek a guarantee that workers should share in the success of the companies they worked for with pay rises that matched those being made by chief executives.

He said: "We have to break this cycle of only rewarding the bosses and shareholders for increased productivity and profitability. Workers should share success as well."

Life peerage

HE'S DESTROYING HIS OWN RAINFOREST TO STOP HIM, DO YOU SEND IN THE ARMY OR AN ANTHROPOLOGIST?

In the Amazon, some native peoples are felling their forest for cash. (In one case, for the price of fifteen kilometres of road and a car to run on it.)

Yet everyday the readers of papers and magazines like this one are inundated with appeals to save native peoples. Do they really deserve our support?

The truth is, they are not the problem. They're the victims. In the last century outsiders have bestowed some dubious gifts on them: like smallpox, tuberculosis, and measles. To the list can now be added greed and corruption.

Many governments have a vested interest in the destruction of the forests. Saddled with huge debts, logging provides a quick financial fix. So much better if the native peoples can be persuaded to help. Duped into selling land, some Indians become unwitting accomplices to the forest's disappearance.

The only army that can stop this is an army of concerned people. What can we do?

We're WWF - World Wide Fund For Nature.

Our conservation scientists and anthropologists are engaged in research work in the Peruvian Amazon that has shown that harvesting fruits, oils, rubber, medicinal plants, and forest products like rattan can produce up to seven times

as much income as from intensive logging.

Another WWF survey found that fruits and latex from the forest were worth nine times more than timber.

It seems so simple. Yet only 0.1% of the tropical productive forests are used in this way.

We need to lobby governments. We need to work with native peoples to develop conservation techniques.

We've already started a programme that proves, without interference, traditional agricultural methods can actually improve the soil.

In Peru, WWF co-operates with the Yanomha people. Here trees are only harvested if it encourages the growth of new saplings. WWF provides financial support and assistance on over 100 tropical forest projects like these.

Of course, we don't have a bottomless well of money to play with. If you can make a donation or legacy, we'd be grateful. What is at stake is the future of the forests and their peoples. On average, one Amazonian tribe has become extinct every year this century.

Enough is enough.

World Wide Fund For Nature
(formerly World Wildlife Fund)
International Secretariat, 1100 Island, Switzerland.



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North-south divide seen to narrow

By Peter Norman,
Economics Editor

Most UK regions prospered more than London and south-east England in 1993, narrowing the north-south divide, the Central Statistical Office said yesterday.

In its first review of UK economic output and income by region in 1993, the CSO reported that gross domestic product per head grew strongest in Wales and the south-west while the north-west, Northern Ireland, and Yorkshire and Humberside also performed better than average.

Because of slower growth,

Greater London and the south-east saw their GDP per head fall relative to the UK average for the fourth successive year while the east Midlands also lost ground in the two years to 1993. Scotland and Northern Ireland maintained gains won in the previous two to three years mainly at the expense of the south-east.

Greater London's share of GDP fell 1.2 percentage points between 1987 and 1993 to 14.9 per cent while the share of the rest of the south-east fell more sharply to 20.6 per cent in 1993 from 21.1 per cent in 1990.

But Greater London and the

south-east remained by far the most prosperous UK regions. At £11,628 and £10,215 respectively, GDP per head in London and in the rest of the south-east was 24.7 per cent and 10.5 per cent higher than the UK average.

The south-east including London contained about 30 per cent of the UK population in 1993 but accounted for more than 35 per cent of GDP. South-east GDP per head, at £10,738, was 16 per cent above the UK average of £9,248.

By contrast, GDP per head in Scotland, Wales and Northern Ireland were all below the UK average with GDP per head of £9,104, Wales and Northern Ireland trailed with £7,831 and £7,574 respectively.

Marked differences in industrial structures explained some of the variation. The east Midlands were hit by coalmine closures in 1993 while increased oil activity boosted Scottish output. Manufacturing output in Wales and Northern Ireland grew at rates well above the national average in the year while Northern Ireland also reported above-average growth rates in the distribution, hotels, catering and repair sectors.

Economic Trends, No 494, December 1994, HMSO, £13.25.

Region	Total (£bn)	Share of UK (%)	Per head (£) UK=100	Per head (£) UK=100
United Kingdom	538.1	100.0	9,248	100.0
North	25.6	4.8	8,265	89.4
Yorkshire & the Humber	42.3	7.9	8,434	91.2
East Midlands	36.2	6.7	8,864	95.8
East Angles	19.7	3.7	9,408	101.7
South-east	190.8	35.4	10,728	116.0
Greater London	79.9	14.9	11,528	124.7
Rest of south-east	110.7	20.6	10,215	110.5
South-west	42.6	7.9	8,864	95.8
Wales	45.6	8.5	8,608	93.1
North-west	58.8	10.9	8,995	97.3
England	458.4	84.8	9,404	101.7
Wales	22.8	4.2	7,831	84.7
Scotland	46.8	8.7	9,104	98.4
Northern Ireland	12.4	2.3	7,574	81.9

* Provisional figures for the financial year.

Employers wary of a marriage made in Milton Keynes

What do you call the private-sector, employer-led bodies which provide a range of business services?

Business leaders could not be blamed for throwing up their hands in confusion at the number of organisations which fit this bill.

Milton Keynes, for instance, had two - Milton Keynes and North Buckinghamshire Training and Enterprise Council, and Milton Keynes Chamber of Commerce. When they polled local businesses, they found many were not sure of the difference between the two.

Now there is no longer a dis-

Tecs and chambers of commerce are set for a wave of mergers, reports Motoko Rich

inction. In December the chamber and the Tec - one of the 83 employer-led bodies which administer government-funded training in England and Wales - formed one organisation to provide services such as training, export advice, political lobbying services and networking.

The merger, the first of its kind, follows the government's decision to allow voluntary mergers between individual Tec and chambers of commerce. It is understood that more than 10 other Tec and

chambers are planning similar partnerships. Mr Michael Hind, chief executive of the merged Milton Keynes body, said: "We thought we had a responsibility to clarify marketplace confusion. There will now be a powerful and unified voice for the local business community."

Although the Tec National Council and the British Chambers of Commerce support such mergers, some members of the business community are less than enthusiastic. The Forum of Private Busi-

ness and the Federation of Small Businesses have warned that the merged entities could be a backdoor route to the establishment of statutory chambers on the model of continental Europe, where levies are charged to every business.

Mr Stan Mendham, chief executive of the Forum of Private Business, which represents 22,851 small businesses, said: "Once the merged bodies are in place, it will become more obvious that they are an extension of government

because the Tec is an extension of government."

The Tec receive government funding, but are set up as private companies. Any merged organisation must ensure that its structure prevents public funds being used for the chamber's business lobbying purposes. The new entity must also fulfil all requirements set down by the government in its contracts with Tec, and maintain the central functions of both organisations.

The government has emphasised that the mergers are vol-

untary and that a new body must "demonstrate that it is representative of the full range of employers in its area and not just its membership base".

The new Milton Keynes organisation will have a turnover of about £11.5m in 1995, a membership of about 1,300 businesses and a combined staff of 90. No redundancies are planned. An interim board, with members from both bodies, has been appointed.

Mr Chris Humphries, director of policy and strategy at the Tec National Council, said

the new organisations would be expected to boost their membership and their accountability, expand membership services, and work to increase their co-operation with Business Links - the trade department's network of one-stop advice shops.

Mr Mendham said he wondered whether the merged entities would be responsive to business needs. "Tecs and the chambers are doing what they think is right for the small-business community," he said. "But they do not have a clear understanding of what the small-business community actually wants."

NEW YEAR HONOURS



Sarah Hogg, life peer; David Putnam, knight; Elizabeth Smith, life peer; Gerald Whent, knight; Geoffrey Whalen, knight; Ian Prosser, knight; David Pattullo, knight; Gavin Laird, knight; Ronald Hampel, knight; Malcolm Walker, CBE.

Life peerage for widow of former Labour party leader

Baronesses

Sarah Hogg, widow of the former Labour leader John Smith, has been made a life peer.

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FINANCIAL TIMES

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Saturday December 31 1994

Let good times roll

Happy days are here again, although grumpy voters seem hardly to have noticed. Yet a wonderful opportunity for sustained and increasingly global economic growth is waiting to be seized.

A year ago, the Organisation for Economic Co-operation and Development thought the economies of its members would grow by 2.1 per cent. In the forecast released just before Christmas, that had already been increased to 2.8 per cent.

In the case of the US, last year's forecast was for growth of 3.1 per cent, but this is now expected to reach 3.9 per cent. Europe as a whole has performed markedly better than expectations: last year's forecast was for growth of 1.5 per cent, which is now expected to be 2.3 per cent. There is a particularly big change in Germany, whose GDP was expected to grow by only 0.8 per cent in 1994 and is now forecast to grow by 2.8 per cent. Even Japan's performance has exceeded expectations: growth was forecast at 0.5 per cent a year ago, but is now expected to reach 1 per cent. Meanwhile, inflation - as measured by the GDP deflator, the broadest single measure of inflation - is expected to be a mere 2.1 per cent in the OECD area as a whole (excluding Turkey). This is, in sum, as close as industrial countries are ever likely to come to the long-sought goal of non-inflationary growth.

In 1993, OECD countries enjoyed export growth of 8.7 per cent, this being one of the reasons why wide-spread fears that the recession would turn into a depression came to nothing. Overall, the volume of world merchandise trade is now forecast by the OECD to grow 8.9 per cent in 1994, followed by another 8.2 per cent in 1995. The global economy is becoming increasingly integrated.

The benefits of growth are also increasingly widespread. One intriguing piece of information provided by the OECD is that by 1993 the exports and imports of what it calls the Dynamic Asian economies (South Korea, Taiwan, Singapore, Hong Kong, Malaysia and Thailand) were comparable in size to those of the US.

US monetary policy

But, like a fragrant ointment, this one also contains several flies. One is the probability of tighter US monetary policy. US equity markets have held up surprisingly, given the rise in both short- and long-term interest rates during 1994. As the Federal Reserve moves to tighten further, will the price of equities continue to levitate? Another possible effect would be a sharp reversal of flows of money into the emerging markets. Yet another could be the

long-awaited strengthening of the US dollar. But the latter would also bring advantages, including a curb on US inflationary pressures, now threatened by high levels of capacity utilisation.

Another fly is to be found in Europe. Higher short-term interest rates cannot now be far away in Germany. While perfectly sensible for Germany itself, any such tightening would be inappropriate for France. Further exchange rate instability within Europe could not then be ruled out.

The three fastest flies of all, however, are fears of inflation, the state of public finances and the risks of protectionism.

Inflation fears

Nothing suggests an immediate inflationary resurgence, but the ghost of inflation past will take many, many years to forget. The decline in bond markets this year was partly a correction of an earlier speculative bubble. But it was more than that. Evidence from the UK, Canada and Australia, all of which offer index-linked government bonds, suggests that there has been both an increase in real yields and an increase in inflationary expectations. Moreover, inflationary expectations seem to be almost universally above announced targets. If monetary authorities were to deliver on their promises, there could, once again, turn out to have been much unsound borrowing and lending. If they were not to, the battle for stability would have to be fought.

The OECD notes that gross public debt is likely to rise as a percentage of GDP in nearly all OECD countries between 1993 and 1996. The public sector deficits are worrying for their effects on real interest rates. But there is also some risk of a first-world debt crisis. Italy, Canada, Belgium, Sweden and Greece all have ratios of public sector debt to GDP of close to 100 per cent, or more. If these countries do not use the recovery to lower debt ratios, a contagious crisis cannot be ruled out.

The integration of the global economy, for all its potential benefits, also brings about politically disturbing changes. Global competition is one reason (though not the most important) for the pervasive insecurity that has made this such a joyless recovery. There is a risk, for all the success in creating the World Trade Organisation, that the damage of protection will become irresistible.

The files are there. Nevertheless, 1995 should be a happy new year, followed by many more. To ensure this, the recovery must be used to entrench the conditions for sustainable growth. 1995 will be an ideal year for that.

When Bill Gates and Paul Allen formed Microsoft in 1975, their slogan was: "A personal computer on every desk and in every home."

At the time, it was an outrageously ambitious proposition, since the personal computer was little more than a toy for computer hobbyists. Today, however, that vision is rapidly approaching reality, with more than 45m PCs sold worldwide this year alone.

The vast majority of those PCs run Microsoft software programs such as the Windows operating system and applications like Word and Excel, the spreadsheet. This has made the company - based at Redmond, near Seattle in the north-west Pacific state of Washington - by far the largest software publisher in the world, with revenues of \$4.65bn in fiscal 1994. Microsoft's success has also made Gates the richest person in the US, with an estimated net worth of more than \$9bn (much of it tied up to Microsoft shares).

Gates, a man whose every pronouncement is scrutinised by the computer industry and analysed by investors. But in 1994, he has added further to his stature, with plans for products that will bring the information superhighway into every sphere of life.

Microsoft's planned acquisition of Inuit, announced in October, adds Quicken, the leading PC personal finance program, to the company's software portfolio. Gates recently unveiled plans to create the Microsoft Network, a global online service supplying information, bulletin boards, electronic mail and entertainment to PC users through cable and telephone lines.

The company has also fended off challenges to its business practices - alleged to have been anti-competitive - from the Federal Trade Commission and the US Justice Department's antitrust division. A cloud that has hung over the company's future for four years has been lifted.

But it is as an architect of the next industrial revolution - the convergence of computer, communications and entertainment technologies - that we choose Gates as our Man of the Year for 1994. In an end-of-the-year interview with the Financial Times, he predicts that such technologies will soon have an impact on every sphere of life - commerce, education, communication, medicine and entertainment. Within the next decade, Gates says, information highways will link most businesses to their customers and suppliers. Wallet or wristwatch PCs will be able electronically to transfer funds directly to shop cash registers, as well as store personal identification documents and even family photos.

Doctors will have direct video links to emergency response teams. Teachers will have access to resources that enable them to bring multimedia lessons to the classroom. Interactive television services will provide news and entertainment in the home tailored to the user's personal interests.

"We are investing way, way, way in advance to create the software platform and tools for such services," Gates says. Microsoft has 800 programmers dedicated to this effort and many more working indirectly on his long-term goals.

"It is a huge investment and it is based on our belief that these kind of electronic applications will catch on in a very big way before the end of the century. Our investment level is predicated on having mil-

Bill Gates, chairman and co-founder of Microsoft, is the FT's Man of the Year. He talks to Louise Kehoe about his vision

Engineer of the electronic era



lions of people hooked up to broadband (high speed, multimedia) networks within the next three or four years."

The pace of computer technology change is accelerating, Gates warns. "Every company is going to have to avoid business as usual. The only big companies that succeed will be those that obsolete their own products before somebody else does."

While others in the computer industry may consider Microsoft unassailable, Gates says he is driven by a "latent fear" that the company could become complacent and allow itself to be overtaken by nimble competitors. It happened to other large computer companies such as IBM, he points out.

In pursuit of his "information highway" strategy, Gates is reaching beyond the computer industry to form partnerships with telephone companies such as BT and France Telecom, with cable television networks such as Tele-Communications of the US, and with publishers and Hollywood producers. A partnership with Visa, the credit card company, could allow secure online purchasing of goods and services.

Making computers more user-friendly is essential to the proliferation of information highway services, Gates believes. Microsoft plans to create easy-to-use, fun "social interfaces" for the intelligent electronic devices of the future.

The first product of these efforts will be launched next month. Codenamed "Utopia", it is a first attempt at anthropomorphism in the PC industry: a program that endows the desktop computer with a "personality". Users will choose one of 10 cartoon-like characters as a friend and helper, guiding them through tasks, reminding them of things that need to be done and finding information on other computers via telecom networks.

Gates views the new-found success of the CD-ROM - discs that can store large amounts of information in the form of text, pictures, music or video - as the most important development in the PC industry this year. For years, Microsoft's attempts to interest the PC industry, software publishers and others in the CD-ROM fell flat. As the publishing medium for computer games, reference books, shopping catalogues and other PC programs, it is now the key in creating a new generation of "multimedia PCs".

"Really to see that electronic publishing turn take off is pretty fundamental and it carries us into the next phase of computing," he says.

That next phase is the development of online services. "People are really starting to see the PC as a communications tool," says Gates. "Look at the explosion of electronic mail, the Internet and growth in online services."

He acknowledges that Microsoft Network will face significant competition, particularly in the US, from existing services such as CompuServe and America Online. But he seems to relish the battle: the company will create superior software technology, he claims.

"We have about 50 things that even in the first version will be far better than the online services have. We will make it very easy for people to do electronic mail, use bulletin boards, make purchases online..."

"Even eight or nine months before we get into the business we have had an impact. Established companies are starting to think: 'Oh, we had better get more content, do better marketing.' Already we are making the

market more competitive."

Such boasts give substance to the charge of his critics - and there are many in the computer industry - that Microsoft effectively dampens competition with its grandiose "pre-announcing" of its planned products. Because of the company's dominance and resources, few software groups can risk a head-to-head market battle.

This was one of many complaints about Microsoft investigated in the past four years by the Federal Trade Commission and the US Justice Department's antitrust division.

The investigation ended this year with an agreement, due to be approved in court next month, involving minor changes to Micro-

soft's software licensing practices. Gates is surprisingly sanguine about the investigation: "It is to be expected, when somebody is as successful as we are in an important part of the economy, that regulators would review the situation to see if it is a competitive market."

He complains, nonetheless, that Microsoft is unique in having been investigated by two government agencies. "There are not many people who have had every electronic mail message and everything that they have done subjected to the kind of scrutiny that we had here."

The end of the antitrust investigation has not, however, ended the barrage of criticism and "Bill bashing" from industry rivals.

One frequent accusation is that Microsoft is not an innovative company. Rather than inventing new products, it copies the ideas of others, critics maintain. Windows, Microsoft's PC operating system program, for example, is still seen by many as an imitation of Apple Computer's Macintosh software.

Most of the criticism is sour grapes, says Richard Shaffer, president of Technologic, an industry consulting group. "Like the Japanese computer companies, Microsoft may not be an inventor, but it perfects products. It is more important to get the product right, than to be first."

Getting the product right, however, is proving to be a drawn-out effort for Windows 95, Microsoft's newest version of Windows. Recently the company announced that the product will not be available until next August, three months after its last "due date" and almost two years after the product was originally expected.

Gates says the delay is not significant. It is more important, he maintains, that the product should be compatible with the broad range of PCs and applications that are currently in use.

Fear of Microsoft's unbounded ambitions and envy of its success are undoubtedly at the root of much of the criticism that the company receives. But Gates's personal style does not help. While he can be charming and friendly on a good day, he can be testy and abrasive, even in front of TV cameras. At industry gatherings, he often seems condescending, dismissing any challenge to his ideas. In company meetings, he is prone to outbursts.

"That is the stupidest idea I've ever heard" is a typical Gates line.

"Part of Bill's style of presenting, clarifying and challenging ideas is to be very blunt and a little bit dramatic and some would say a little rude," says Steve Balmer, Microsoft executive vice-president, one of Gates's closest friends for 20 years. "But he is a lot less rude than he was 10 years ago!"

Apart from a Porsche sports car and a \$35m mansion under construction on the outskirts of Seattle, Gates is not conspicuous in spending his wealth. One exception was his purchase in November of an illustrated manuscript by Leonardo Da Vinci for \$90m.

He likes to keep his private life private. Newly wed to Melinda French, a Microsoft product manager, Gates brushes at any mention of his personal life, which he does not consider a matter of public interest.

Said by some to be the computer industry's answer to Henry Ford, and by others to be the most powerful US businessman since Rockefeller, Bill Gates, 39, still has plenty of time to outdo both.

Triumph of style over substance

John Griffiths on the craze for macho, gas-guzzling four-wheel drive vehicles

Next month's motor shows in Detroit and Los Angeles are expected to confirm a trend in car-buying that represents the triumph of ego over ecology, lust over logic, and cult over commonsense.

The latest vehicle sales statistics from North America show that, in the first 11 months of this year, Americans bought 5.6m of what are described as light trucks - four-wheel drive cars such as the Jeep Cherokee and Range Rover, multi-purpose vehicles (MPVs) that seat seven or eight adults with car-like handling, and pick-up trucks.

These "cult" sectors of the US market have accounted for 43 per cent of total passenger vehicle sales in 1994. "It's been trucks, trucks, trucks - we can't build enough," according to Mr John MacLear, a spokesman for market leader General Motors.

This year, more than any other, light truck sales have outperformed the conventional car market in the US by a large and growing margin. Sales are nearly 15 per cent higher than in the same period last year, compared with growth in car sales of just 5 per cent.

In some western US states and provinces of Canada, their sales now outnumber those of ordinary cars. Indeed, the single best-selling vehicle in the US is not a car, but a pick-up: Ford's F-series model outsells the country's best-selling car, the Ford Taurus, by a ratio of 3 to 2.

For most of their owners for most of the time, these vehicles are not ideal choices: four-wheel drives and MPVs are usually much bigger than they need, pick-ups have few passenger seats, and all three are sim-

ply irrelevant to any kind of need other than the emotional. Most also consume far more fuel than anyone needs for basic transportation.

US vehicle makers claim to be almost as nonplussed as environmentalists by the gulf between the public support for energy and environmental conservation and the purchase of eccentric gas-guzzlers.

This year, Chrysler has taken the pick-up cult to a new extreme with the Dodge Ram Laramie SLT Magnum V10. Only three adults can squeeze into its cab; its rear load deck is open to the elements; and under its bonnet is an engine with 10 cylinders, eight litres and the ability to out-drag most sports cars.

Such eccentricity is unlikely to remain confined to the land of \$1-a-gallon gasoline, however. Chrysler's UK importer currently has one on test, assessing it for a possible niche in the European markets.

Despite several attempts by manufacturers to promote them as both leisure and utility vehicles, pick-ups

themselves as a manufacturer to be taken seriously in Europe, with sales of around 20,000 units a year of its Cherokee, Grand Cherokee and Wrangler models, some assembled at a plant in Austria.

Last year, according to statistics from market monitoring group Automotive Industry Data, Europeans bought 300,000 leisure/utility four-wheel drives. AID forecasts that sales should rise to around 500,000 by the end of the decade.

Japan's choked roads provide the best support available for those who contend that the European four-wheel drive market has a long way to go. Although the Japanese have even fewer opportunities than Europeans to take their vehicles off-road, because of greater urban sprawl and tight controls on the countryside, four-wheel drives account for 6 per cent of the new car market. To date, their share in Europe is under 3 per cent.

According to AID, buyers justify their purchases by a desire "to venture off-road where the mountain goat tenacity of such vehicles is likely to be needed". AID's report on European four-wheel drive prospects to the year 2002 says that those interviewed claimed other features, such as styling, were much less important.

But the report's research into how these vehicles are used showed that most buyers had little or no need for an off-road capability. "The overwhelming majority of vehicle owners, around 95 per cent, are using their four-wheel drives for nothing more demanding than driving to the office, or for the daily school run."

Embarrassed though most buyers

might be to admit it, AID suggests, the real reason for their purchase is simply "to stand out from the crowd". To underline the point, it reports that four-wheel drive owners on average were found to spend nine times as much as their car-buying counterparts on appearance-improving extras.

In terms of both purchase and running costs, four-wheel drives can be a very expensive way of being different. In September, the UK Rover Group's subsidiary, Land Rover, launched the latest version of its flagship Range Rover model, developed as part of a four-year, £300m investment programme. Priced at up to £44,000, it has taken the vehicles into direct competition with established luxury car producers such as Mercedes-Benz, Jaguar, BMW and Lexus (Toyota).

The Range Rover, its cheaper stablemate the Discovery and the more utilitarian Land Rover Defender have been big success stories in the world market for four-wheel drives.

The company's output at the end of the 1990s was fewer than 50,000. This year the total will reach a record 85,000, and the company expects to sell 100,000 units or more in the new year.

With so much at stake, Land Rover executives strongly defend their four-wheel drive vehicles, maintaining they offer more than an ego trip. The Discovery, they say, is gradually taking over the market for big estate cars, typified by Volvo, because of its commanding driving position above other traffic and multi-use flexibility, as well as style and image.

Critics maintain that the perception of usable space is exaggerated. They add that the current cult status of the vehicles could quickly be undermined if there is a revival in concerns over the stability of these cars, which have a high centre of gravity. Small Suzuki four-wheel drives faced a barrage of criticisms over rollover safety in the 1980s. More recently, the deaths of a



Fashion accessories or workhorses: (Clockwise from top left) Fiat's Ulysse, Jeep's Cherokee 2.5 Sport LE, the Range Rover 2.5 DSE and Ford's F-series



Fashion accessories or workhorses: (Clockwise from top left) Fiat's Ulysse, Jeep's Cherokee 2.5 Sport LE, the Range Rover 2.5 DSE and Ford's F-series

woman and her two children in a motorway accident in the UK, when their Range Rover rolled over the central barrier onto oncoming traffic, has revived industry unease over the safety image of four-wheel drive cars.

Yet manufacturers continue to crowd into the sector, and the

Peugeot and Fiat see multi-purpose vehicles as the best growth prospects in the niche market

vehicles themselves grow ever more varied. Volvo is reported to have developed a four-wheel drive prototype; Ford may introduce its large Explorer model into Europe; and Korea's Ssangyong will introduce its first four-wheel drive to Europe during 1995. Meanwhile, Japan's Mitsubishi has just launched a

Japan-only, 600cc mini version of its popular Pajero/Shogun vehicle.

Two of Europe's biggest car-makers, Peugeot and Fiat, stand out from the trend, however, as absentees from this sector of the market. Both Peugeot's chairman, Mr Jacques Calvet, and Fiat Auto's director-general, Mr Giorgio Giacomini, maintain that four-wheel drives will end up in a market wilderness and that the best growth prospects for niche vehicles lies with multi-purpose vehicles (MPVs). Their own efforts have gone into producing such a vehicle jointly, already in production as the Fiat Ulysse, Peugeot 806 and Citroen Synergie.

But for "green" critics of Europe's current modest craze for the fuel-guzzling, macho-looking four-wheel drive, the future looks bleak. The latest vehicle sales statistics from North America suggest that, short of a public outcry over their safety, there will be many more of these vehicles on Europe's roads by the end of 1995.

Some very hot irons in the fire

John Lloyd on the challenges before President Yeltsin if the war in Chechnya is not to topple him

President Boris Yeltsin has not necessarily, as some have suggested, been elected either reform or his presidency by making war on the leadership of Chechnya. There is a perfectly feasible scenario that would see him retaining both power and the ability to govern in the months ahead. But the longer the war continues, the more dire are its consequences and the less likely becomes his chances of survival as an effective, reforming president.

The scenario favouring Yeltsin's survival goes like this. The war is won in the near future, as now seems most likely - in the sense that the Russian army takes Grozny, kills or captures General Dzhokhar Dudayev, the Chechen leader, and reduces the remaining fighters to partisan bands operating with difficulty from mountain bases.

The Russian government then pumps enough money into the little territory to give it at least the appearance (and probably also some of the reality) of relative well-being. It contains the Chechens' armed hostility to Russia within the borders of Chechnya. It finds leaders - such as Mr Salimbek Khadzhev, a former Soviet energy minister and presently "prime minister" of the Russian-backed Chechnya government in exile - who will command some respect and support in the territory after General Dudayev's gruesome reign. And the central government begins to weave Chechnya back into Russia through a treaty that devolves at least as much power to Chechnya as has been granted to the republic of Tatarstan.

This achieved, the financial cost

is borne through increased oil exports (which Chechnya has, albeit in modest quantities). Secessionists with ambitions for other regions of the Russian Federation are taught a salutary lesson, and politics in Russia returns to bumpy normalcy.

It is possible. But to become reality, the Russian government must deal with the following consequences of the war, which are already evident.

First, the near-mutiny in the upper ranks of the army must be

The Russian armed forces are rich in generals and can afford to lose a few - or a few hundred

properly addressed. At least half a dozen senior generals, and probably many more, have refused to fight in Chechnya or give their support to the campaign there.

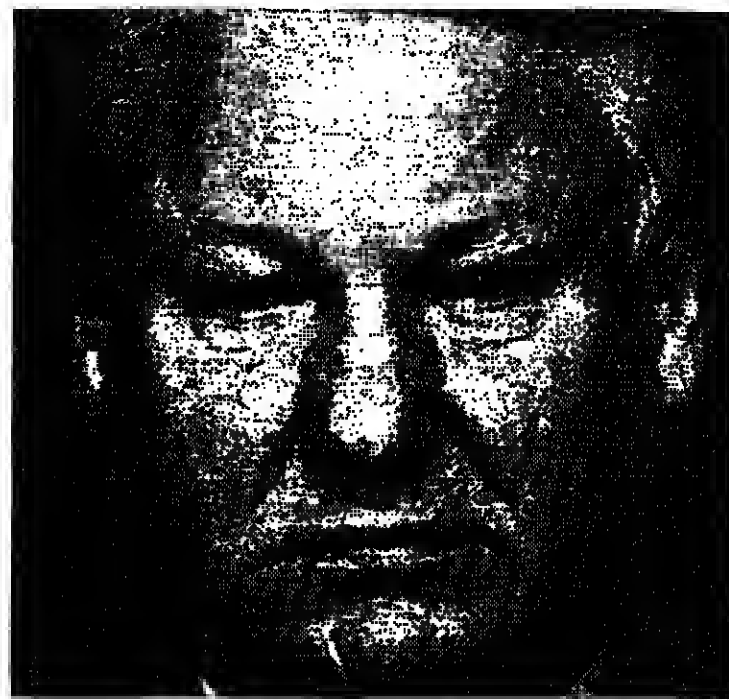
The Russian armed forces are rich in generals and can afford to lose a few (or a few hundred). But those who have signalled open dissent are high-profile, sometimes politically active and popular men in their early middle years with the ambition to do a lot of damage to the existing authorities.

Mr Yeltsin and General Pavel

Grachev, his defence minister, must convincingly punish insubordination or defuse it. The indications are that General Grachev probably lacks the force and subtlety to do either.

Second, the political base for reforms must be re-established. All the reformist parties are now in full and open opposition to the president. Mr Yegor Gaidar's Russia's Choice, the largest, had given him sometimes reluctant support through tough times - but now excommunicates him. While Mr Boris Yegorov's small Liberal Democratic Union supports the war (or at any rate, he does), it continues to oppose the president on the grounds that he has ceased to reform.

Mr Yeltsin's new best buddy is Mr Vladimir Zhirinovskiy, leader of the ultra-nationalist Liberal Democratic Party; his only complaint is that Mr Yeltsin is late in coming to a state of imperialist grace. The more conservative and secretive presidential aides - such as General Alexander Kozlov, head of the guard - wield most power, and smart men, if challenged by the press. It is still possible for Mr Yeltsin to abandon this network of supporters and return to the reformers. After all, Mr Mikhail Gorbachev did just that in the spring of 1991, after dallying with his own reactionaries. But even for an active president (and Mr Yeltsin is no longer that) it



Boris Yeltsin: authoritarianism at home, mixed with anti-foreign sentiment

would be hard, and it may be too late - as it was for Mr Gorbachev. Third, the economy is suffering from the war. The expense threatens to blow a hole in a budget designed to be tough; and the president's attention to economic mat-

ters, never great, is now even less. And yet it is again a critical time. The budget depends on a phased series of huge loans from the International Monetary Fund and World Bank. The stabilisation of the currency - the main aim of the loans -

depends in its turn on making the budget even tougher than that approved by the state duma, parliament's lower house, this month.

Moreover, the government will have to stick to its budget targets. Last year, it squandered opportunities for economic reform by printing money when the going got rough, while Mr Yeltsin showed he was increasingly willing to initiate or approve expenditure to keep the social peace or to reward loyalty.

Mr Yeltsin humbled his government after "Black Tuesday" in October, when the ruble lost a quarter of its value against the hard currencies. This re-established his pre-eminence, but no international financial institution or government will now find a stabilisation programme credible unless they also believe he is committed to it. At present, however, he is committed only to winning in Chechnya.

Fourth, the war is eating into Russia's still substantial reserves of international goodwill. The leading Moslem states, especially Turkey, protest at the action against the co-religionists in Chechnya. Non-Moslem states say it is an "internal affair", because they can think of no other response, but they are increasingly concerned by the bloodshed. They are even more worried by the way pretensions to liberalism are giving way, as the war progresses, to a domestic authori-

tarianism, which also embodies anti-foreign sentiments.

Already, the war has produced a threat from Russia that it will breach the terms of the treaty it signed in 1990 on conventional armed forces in Europe, because it considers the limits on armour in the southern part of Russia too restrictive. Such a unilateral renunciation would sow more distrust in a west already learning to be more wary than welcoming of Russia's foreign policy moves.

Andrei Kozirev, Russia's foreign minister, is spending part of this weekend explaining Russia's cause in Chechnya to European Union ambassadors. He will need high powers of persuasion to calm their alarm.

Finally, the war - with its attendant propaganda, lies and threats - is destructive of public trust in the authorities. Mr Yeltsin promised to stop the bombing when he addressed his nation on Wednesday, but on Thursday it was stepped up. Government propaganda says Gen Dudayev has enslaved his people, but the defence minister told a meeting of the security council on Monday that the general had widespread support. And one of the largest claims of this administration has been a determination to protect the 26m ethnic Russians who find themselves in other former Soviet states, but many of the casualties in Grozny have been ethnic Russians with nowhere to go.

Mr Yeltsin may yet pull his irons from the fire. But they are heating up all the time - and may soon be too hot to handle.

Shakin' off those Wall Street Blues

Philip Coggan on the prospects in the world's main equity markets in 1995

Asked to assess the outlook for the world's equity markets in 1995, fund managers quickly resort to football-speak. "It will be a year of two halves" is the common refrain. In the first six months, many expect worries about rising interest rates to keep equity markets depressed. But, in the second half of the year, they believe the prospects of a US economic slowdown will allow interest rates to start falling again, and share prices to rally.

Like defeated footballers, many fund managers and traders will be feeling sick as parrots after 1994. Whereas in 1993 it was almost ludicrously easy to make money, this year it has been simple to lose it. In most countries, it would have been better for investors to leave their money in the bank and take the year off.

Of the 54 main markets, only eight have seen their stock market indices rise, since the start of 1994. The most substantial, Japan, is a market to which many fund managers have been underexposed.

In bonds, the story has been worse. Of 21 leading government bond markets, only Austria produced a positive return in local currency terms in 1994, according to Kemper Investment Management.

The event that set the tone for the year was the US Federal Reserve's decision to raise rates in February. While the US bond market had already been weakening in the face of the accelerating pace of US economic growth, the initial rise in rates was a watershed.

It signalled the end of a period when it had been possible to "play the curve" - borrow at a low short-term rate and invest in long-term bonds, for a higher income and the chance of capital growth. Those who had speculated on such gains lost heavily this year, with forced sales of bonds exacerbating the price falls. "Equities were particularly vulnerable to a decline in bonds, since a fall in bond prices results in a rise in bond yields. With the return on cash deposits also rising, the attractions of highly-priced equities diminished. In the US, while the narrow Dow Jones Industrial Average has held up reasonably well, the Russell 2000 index of smaller capitalisation stocks fell 4.5 per cent over the year.

The rest of the world's financial markets found it impossible to escape the backwash of US interest rate changes. In part, this was because US investors had been significant buyers of other countries' equities and bonds in 1993 and moved money back home as US interest rates rose this year.

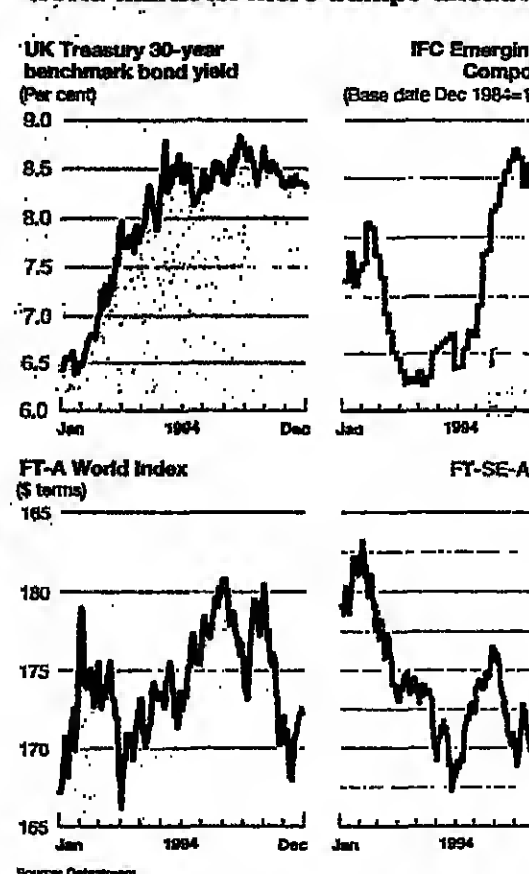
But in Europe, market weakness also reflected a fundamental change in the outlook for economic growth. At the start of the year, most investors expected European interest rates to continue to fall as governments attempted to stimulate their economies.

By the end of the first quarter, however, it was clear that European economies were recovering faster than expected and accordingly, the prospect of interest rate cuts was diluted. Throw in the fear of renewed inflation, aided and abetted by a surge in commodity prices, and the result was a bad year for bonds and shares. When looking at the prospects for 1995, the most important issue for investors remains the outlook for the US economy and interest rates. According to Mr Maxwell Ward, the manager of Scottish Mortgage, an international investment trust, "the key factor is how much further US monetary tightening has to run". He expects the Fed funds rate, currently 5.5 per cent, to reach 7 per cent.

The difficult trick that the equity markets hope the Fed will pull off is to increase interest rates sufficiently to head off inflationary pressures without pushing the US economy into recession. The difficulty of pulling this off means that investors may start the year in cautious mood.

"Uncertainty about how much the Fed will raise rates means that it will be appropriate to have plenty of cash," says Mr Sushil Wadhvani, director of equity strategy at Goldman Sachs in London. "If the US economy does

World markets: more bumps ahead?



start to slow down in the second and third quarters of 1995, and bonds started to rally, then I would want to buy equities," says Mr Peter Lyon, global strategist at Smith New Court. "But I want to see the economy slow down first."

This could be bad news for a recent enthusiasm of international investors - the emerging markets of Asia and Latin America. Higher interest rates and slower economic growth in the US would hit the exports of both areas, and their growth prospects.

More important in the short term, it might cause an outflow of US mutual funds from the both regions, particularly after Mexico's recent troubles

highlighted the risks of emerging markets. Since most emerging markets are small and illiquid, a sudden rush of sellers could lead to a sharp fall in share prices. Asian markets have already shown signs of suffering at the end of 1994.

Emerging markets enthusiasts, however, are still confident about the long-term prospects. "Developing countries will grow at 5-6 per cent this year, twice the rate of the major economies," says Mr Peter Scott, chief executive of emerging markets specialist Beta Funds. "While 1995 may see an initial period of continued weakness, there is a secular trend among institutions to increase the proportion of their

portfolios in emerging markets. A lot of investors are still very light in the area."

For the UK and Europe, the early part of the year may simply be a struggle to escape from the shadow of the US. "The UK market looks pretty good value but can't shake off the Wall Street blues," says Mr Christopher Tracey, a pensions fund investment director at Robert Fleming.

But Mr Tracey thinks that European corporate earnings will be growing faster than in any big market except Japan by the end of 1995. That should support share prices even though interest rates are at, or close to, their bottom in Europe.

Japan remains an enigma for many western investors. In terms of price-earnings ratios, Japanese shares look horrendously expensive by outside standards, but foreign investors have been more enthusiastic about the market this year than Japanese institutions. Economic recovery in 1995 should boost corporate earnings but investors remain cautious, rather than bullish.

The most important role that Tokyo might play in 1995 would be if Japanese investors resumed the substantial purchases of overseas securities that so boosted international markets in the 1980s.

With all the world's big economies recovering, the fundamental issue for investors is whether the economic recovery will lead to an inflationary bust later in the 1990s, or whether there is the chance of a sustained period of non-inflationary growth.

For much of this year, equity markets have been buffeted by the twin forces of rising interest rates and higher corporate earnings. The former have been dominant in 1994, perhaps because investors could not see where the peak of the interest rate cycle would occur.

But the bulls hope that by the end of 1995, the picture will be clearer. "My view is that people will take on board that this is a long, strong economic upswing in which the peak is several years away, rather than being visible at the end of 1995," says Mr Keith Scooch, chief economist at broker James Capel.

In the meantime, investors could face a bumpy ride.

Crunch for Big Bang

Clive Cookson explains why cosmologists are stunned into silence

The Hubble Space Telescope - previously derided as a \$2.5bn white elephant in orbit - is redeeming its reputation in spectacular fashion. The images sent back this year, after astronauts repaired the telescope's defective mirror, show a myriad of astronomical objects too distant to be seen with the most powerful Earth-bound observatories.

Hubble's latest observations have thrown cosmologists into a spin, because they appear to contradict the leading theory for the origin and development of the universe. Most troubling is their implication that the universe is only 8bn years old, when many astronomers are confident from other evidence that the oldest stars have been shining for about 15bn years.

Of course the universe cannot be younger than the stars in it. So, if further observations confirm these findings, cosmologists will have to change their views of the universe's birth in a cosmic fireball - the Big Bang - and its subsequent expansion.

The basic idea of the Big Bang - that everything has grown from an infinitely small point containing an unimaginably large amount of energy - is not under serious threat.

But other popular concepts of contemporary cosmology may not survive. One is the "flat universe" containing just enough matter for gravity eventually to stop it expanding but too little to pull everything back together again in a Big Crunch. The latest Hubble observations are likely to revive support for the less dense "open universe" model, in which things will fly apart rapidly for ever.

They may even tempt scientists to reconsider the idea, originally put forward by Albert Einstein, of a "cosmological constant". This is a fudge factor, hated and rejected by most cosmologists because they cannot give it any theoretical foundation, which would counteract the force of gravity and push the universe apart more rapidly with time.

The Hubble observations are the first phase of an international programme to assess the scale, size and age of the universe with the space telescope. The research team found 20 individual stars of a type called Cepheid variables in the distant M100 galaxy. Astronomers use such stars as

"standard candles" for measuring interstellar distances, because they pulsate with a frequency that depends directly on their intrinsic brightness.

By comparing this absolute brightness with the star's apparent brightness when seen from Earth, the astronomers can estimate its distance - 56m light-years in the case of the M100 galaxy. They combine this figure with the star's "red shift", which shows how fast it is moving away from us, to calculate Hubble's constant, the rate at which the universe is expanding. Finally, to estimate the universe's age, they must adjust the rate for any deceleration or acceleration since its formation.

The age of 8bn years is derived from the observations by standard cosmological theory. It can be pushed back by another 3bn years by giving the universe a very low density (though this might contradict other astronomical observations). But an age of 15bn years to match the oldest stars would require an accelerating force - Einstein's dreaded cosmological constant.

Scientists have reacted very cautiously to the findings, published at the end of October to the journal *Nature* - so cautiously that *Nature* attacked their silence in an editorial a month later. "Cosmologists had better say something," the journal said.

However, cosmologists themselves say they are waiting for more Hubble observations, using "standard candles" to other distant galaxies, to confirm the first results and reduce their margin of error.

"Within a year or two, we ought to have a more definite

measurement," says Sir Martin Rees of Cambridge University, Britain's new Astronomer-Royal. "If it turns out that there is still a big discrepancy with the age of the oldest stars, then cosmologists will have problems maintaining their standard theory of the universe."

The universe's age is the most controversial issue addressed so far with the Hubble telescope. But the huge instrument has taken many more spectacular pictures through its new corrective lenses.

Some of the best shots, released this month by the US space agency NASA, show parts of the universe billions of light years away - and therefore billions of years in the past. They reveal for the first time the shape of galaxies emerging in the young universe.

There is a menagerie of strange objects that have no counterpart in today's universe," said Mark Dickinson of the Space Telescope Science Institute in Baltimore. Most of the stars are arranged in disorganised groups that look like torn fragments of present-day spiral galaxies but may in fact be their precursors. Confusingly, mature elliptical galaxies also seem to have existed within 2bn years of the Big Bang, very similar to today's.

Although it is far too soon for cosmologists to have made sense of the primeval galactic menagerie, this new evidence suggests that galaxies started to form very early in the life of the universe. If so, it will lend more support to the idea of a low-density open universe with a less even distribution of matter than the popular "flat universe" model.

Yet another fragment of Hubble evidence in favour of an ever expanding universe came in November, when astronomers published the results of a search for small dim stars, too faint to be seen from Earth, which they thought might make up some of the universe's "missing mass". They found far fewer than expected.

Unless a space gremlin strikes, Hubble will provide another stunning set of observations during 1995. The age of the universe should be clearer a year from now, but the telescope will probably have thrown up another conundrum for then to silence the cosmologists.

Names might wonder at such crystal gazing

From Mr John Scamerey, *Sumner House, Somerset*
Sir, Please forgive what might appear to be an unseasonably cynical observation, but I always wonder when I hear so-called insurance experts talk blithely about underwriters only writing profitable business.

In your edition of December 22, Lex refers to... the temptation for Lloyd's underwriters to take on poor quality businesses" in an adjoining column. Lloyd's chairman, David Lloyd, is quoted ("Names will fall in court as Lloyd's underwriters are still being selective in the business that they write. Present market

conditions indicate that there are good opportunities for underwriting profitable business in 1995.

If these visionaries know what constitutes "profitable underwriting" and "poor quality business" then perhaps luckless Lloyd's Names might rightly wonder what happened to the underwriters' crystal balls in recent years.

Having recently moved into the area whence this letter falls, there are many here in horse-racing country who claim only to back winners! N F B Sumner-Turner, *Chalfont Cottage, Wickhampton, Wiltshire*

Mattress the safest option?

From Mr David Phipps, *Sumner House, Somerset*
Sir, If "names" are no longer "names" (Letters, December 22), can Professor Butler please suggest a viable alternative? Having just bled out of a disastrous personal equity plan with a view to top-

ping up my pension, I am beginning to wonder whether the proceeds might not be safer under the mattress. David Phipps, *Sumner House, Wickhampton, Wiltshire*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5338. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Catholic Church is about faith, not politics

From Mr Alan Robinson, *Sumner House, Somerset*
Sir, Robert Graham and Paul Betts make a fundamental error in their article about the Pope: they refuse to see the Catholic Church with the eyes of faith and, rather, interpret it as a modern democratic state ("Twilight crusade of an obdurate Pope", December 24/25). Therefore their interpretation centres on the idea of a right and left, two groups who could alternate in their control of the seats of power. This is an attractively simple approach, particularly when the present holy Father is seen as a man of the "far right". This, however, is a view shared by many writers since the days of Pope Pius XII and the dream of a dream ticket modern Pope who would set things to right. The late Peter Hebblethwaite's biography of Pope Paul VI describes him as the "first modern pope", but it was Paul VI who reiterated the Church's clear

teaching (taught also by Vatican II) on the intrinsically sinful nature of artificial contraception.

With the eyes of faith, the Church is not a democracy with majority opinions ruling on doctrine. There is a clear corpus of doctrine on faith and morals, which is taught in continuous tradition, in a living voice, of the Church. This body of doctrine may be better explained and understood, but it can't be explained away. This body of doctrine is held by those who are faithful to the Church and is found in all the documents of the Church and Popes. There are many matters in which there may be division from the Church but not in the minds of these faithful to the Church. People all over the world are looking for clear, simple explanations and reasons for believing and they have found them in two best

sources: the Catechism of the Catholic Church and *Crossing the Threshold of Hope*. People want their beliefs to be authenticated and related to something outside themselves, and perhaps here lies the appeal of the Catholic Church.

Alan Robinson, *3 Little Orchard Cottages, Old Hall Green, Ware, Hertfordshire*

From Mr F Killoran, *Sumner House, Somerset*
Sir, Your article on Pope John Paul II was markedly below par. The form of the article was too close to that of a hasty, pre-fabricated rewrite of tired quotes and clichés to appeal to the readers of the cultural section of your newspaper.

As to the content, there seemed to be two main points. Contrary to what is suggested, the Church is not "... all about politics..." because the mission of the Church is exclu-

sively supernatural, namely, the holiness of its members. Second, the Church has not and never has had a "problem with birth control". It has never approved of artificial birth control and, probably, never will. Further, as its reasons for rejecting birth control are not religious ones, they can be maintained by those of any religion or none (as is often the case).

By any measure the present Pope is a giant with a prodigious intellectual output. It is highly probable that he could have become a major figure in whatever profession he had chosen.

Robert Graham and Paul Betts have done truth and themselves a disservice by lending their names to this article.

F Killoran, *Caile Pena Santa, 6 28004 Madrid, Spain*

Greece must show mature approach on Turkey

From Mr John Scamerey, *Sumner House, Somerset*
Sir, Greece's crocodile tears about Turkey's membership application to the European Union again being deferred cannot be taken seriously.

Mr Papadopoulos (Letters, December 28) forgets to mention that the reason for Turkey invading Cyprus was to protect Turkish Cypriots in the event of a Greek-sponsored terrorist campaign for Enosis (uniting Cyprus and Greece, or rather making Cyprus a part of Greece) succeeding.

The Turks will remember how the Greeks treated the Turkish population on the many little Turkish islands in the Mediterranean that were ceded to Greece between the wars. It was with the very understandable objective of

protecting their kith and kin on Cyprus from being similarly thrown out of their homes that the "Turkish army invaded, scuppering Greece's hopes of Enosis at the same time."

It is time to let bygones be bygones and for Greece to behave like a mature member of the EU. It should work to help Turkey come closer to the EU as its political leaders wish. If Turkey is not kept in the European camp, it may well flip over and become a fundamentalist Islamic state (like Iran), which would present far more problems and dangers to the European Union - and in particular to its neighbour, Greece.

John Scamerey, *76 Marazion, 3020 Oostvise, Belgium*

Watching the watchdog

From Mr Martin Owen, *Sumner House, Somerset*
Sir, If City institutions are to be expected to act as a watchdog for executive remuneration, they are also expected to set an example - in transparency,

forms and levels of remuneration, methods of determining rewards, etc? Martin Owen, *12 College Gardens, London SE21 7BE*

COMPANY NEWS: UK

Saatchi clients keep their options open

By Jimmy Burns and David Blackwell

Two big clients of Saatchi & Saatchi, the advertising group, said yesterday they were still considering their relationship with the company, amid continuing uncertainty over the future of Mr Maurice Saatchi, the deposed chairman.

The clients - Mars and British Airways - are watching the looming deadline of next Tuesday given to Mr Saatchi to decide whether he will stay with the group in the largely honorary position of president and chairman of the subsidiary, Saatchi & Saatchi Advertising Worldwide.

Saatchi & Saatchi said yesterday that no decision on Mr Saatchi's future remuneration had been taken. Commenting on reports that Mr Saatchi had been offered a £100,000 pay rise to stay with the group, the company said: "There have been no negotiations on salary. This story does not move on until Maurice decides whether to take up the post with Saatchi & Saatchi Advertising Worldwide."

Mars, the privately-owned confectionery and pet foods

group, said a review of its £1bn worldwide advertising expenditure would take "weeks, if not months". Mr Bob Eagle, the company's UK external relations manager, said: "Clearly any decision that Maurice Saatchi takes will be taken into account."

BA said it was still "considering" its account with Saatchi after Sir Colin Marshall, the airline's chairman, had written to the group expressing his concern about the board changes. BA indicated that it was unlikely to desert the Saatchi group, but was keeping its options open.

Another client, Mirror Group Newspapers, said it would keep its account with Saatchi unless it became unhappy with the agency's work. The account would not be affected by Mr Saatchi's future.

Mr David Herro of Harris Associates, the Chicago fund manager which led the campaign to oust Mr Saatchi, said yesterday he hoped the deadline of next Tuesday would be adhered to.

"There is no desire among shareholders to keep prolonging this. We want to get the whole thing behind us and be

finished with it one way or the other."

Mr Herro added: "I'll be surprised if Mr Saatchi stays on, but it's possible he might."

He described as "incorrect" reports that he had approved a £5m share option package for Mr Saatchi after earlier opposing it.

"We [the US shareholders] objected to the options package as proposed by Mr Saatchi. We were never opposed to a share option package being put to shareholders for a vote."

Mr Herro said that US shareholders controlling 30 per cent of the shares had wanted Mr Saatchi removed because of unacceptable terms he proposed for an options package. They were also angry about his opposition to dropping the "Saatchi" name from the holding company masthead.

Mr Saatchi was on holiday abroad yesterday and unavailable for comment. A friend said he would not be returning to the UK until January 2.

Mr Saatchi was forced to stand down as chairman of the advertising group he founded in 1970 two weeks ago after the board succumbed to pressure from US and UK shareholders.

Tokyo seats on offer at a bargain price

By Norma Cohen, Investments Correspondent

Smith New Court and Paribas Capital Markets International are front runners to buy seats on the Tokyo Stock Exchange at a knock-down price.

It is expected that the two seats will change hands officially early next year. The seats for sale are those of Prudential Securities (Japan), the Tokyo arm of US-based Prudential Securities, and that of Kidder Peabody International.

The US-based parent companies of the vendors have faced financial difficulties recently and are in the process of retrenchment.

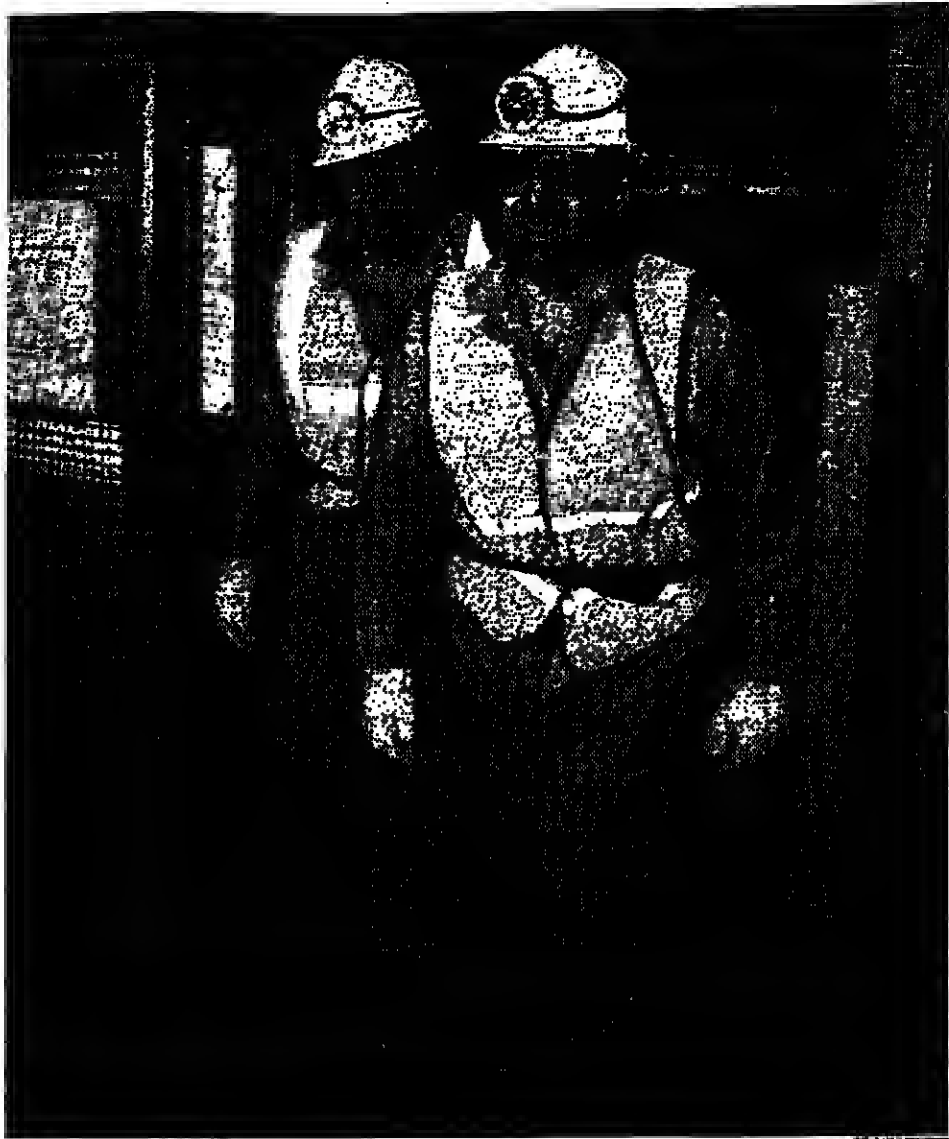
A seat on the Tokyo Stock Exchange last changed hands at ¥1.1bn (£7m) when County NatWest sold its right, and it is expected that the buyers will pay less than ¥1bn. All prospective buyers must be vetted by the Tokyo Stock Exchange.

The prospective purchasers have both said they are interested in expanding their Japanese equities businesses. UK and US investors have been recently placing money in Japanese equities in expectation that economic activity there will soon pick up.

Also, Tokyo Stock Exchange rules greatly disadvantage non-members who buy and sell shares on behalf of customers. Non-members must execute business through members, surrendering about 25 per cent of the commission they receive. SNC and Paribas will immediately see a rise in revenues if their bids to become members are successful.

In late October, Smith New Court, which has held a branch licence in Tokyo since 1989, announced it was eager to purchase a seat on the Exchange. However, the Exchange had made clear that it did not intend to expand the number of seats beyond the existing 124. It could buy a seat only if an existing owner wished to surrender membership.

Of those securities firms which own seats, 24 are non-Japanese, and of these, five are British.



Energy Minister Mr Tim Eggar (right) yesterday doled out hardhat and overalls to put the seal on the transfer of British Coal's 15 English pits to private ownership.

He was visiting the Ashfordby mine, a new 1.5m tonne superpit which, as of yesterday, is owned by RJB Mining.

Earlier this month the group surprised its critics by raising £400m from investors through a placing and public offer to help fund the £215m purchase. Mr Richard Budge, RJB's chief executive, (left) had been attacked for the assumptions on coal prices and volumes used to devise his offer.

RJB's investors were rewarded for backing the controversial bid with a 4p rise in the shares over the 320p placing price.

However, the old RJB shares fell by 15p to 335p, reflecting the decline in the mining sector since the shares were suspended at 345p in October. The difference in price is due to the fact that the new equity is not eligible for the promised final dividend of 7.3p.

Meanwhile, Coal Investments announced that public investors had taken up more than half the shares available to them in the £28m placing and open offer. The public has applied for 9.45m of the eligible 18.24m open offer shares on the basis of 4-for-13 at 76p.

Coal Investments announced the issue earlier this month to help it fund capital expenditure and increase its holding in Mining (Scotland), which has purchased British Coal's Scottish region.

Battling Stanhope expects verdict on future in 'days'

By Christopher Price

Stanhope, the embattled property developer struggling to cope with its banks' decision not to extend its credit facilities, has announced that a decision on its future will be made within the next few days as intense negotiations with creditors and potential rescuers continue.

At the group's AGM yesterday, Mr Stanley Honeyman, chairman, said: "The current position with our banks is that discussions are continuing and we expect to make an announcement next week."

"At the same time we are still in intensive negotiations with investors."

Stanhope's banks are owed

approximately £148m.

They withdrew their support on December 23 after protracted negotiations broke down.

Two separate rescue plans - one by PostTel, the investment group, and British Land, which has a 30 per cent stake in Stanhope - were discussed.

But they were rejected by the banks, which were not prepared to write off more than 20p in the pound as demanded by the proposals.

Since then, Stanhope has been operating without credit facilities, although the banks are said to be sympathetic while talks are continuing. In particular, negotiations between Stanhope and British Land have been resumed.

Mr Stuart Lipton, founder and chief executive of Stanhope, said yesterday that the board was also talking to other investors, which may suggest that the PostTel deal could also be revived. "We are still talking to both banks and investors and while these continue we are still in business," he said.

Stanhope's chief asset is its 50 per cent holding in Broadgate Properties, which controls much of the Broadgate and Ludgate office developments in the City of London.

Mr Honeyman said that, given the group's precarious circumstances, the board was postponing publication of the 1994 report and accounts, due out next week.

Athena's debts 'closer to £15m'

By Jim Kelly and Paul Taylor

Athena Holdings' external creditors are owed between £10m and £15m, according to the administrative receivers appointed to the failed card and poster shop group this week.

Mr Scott Barnes, one of the two receivers and a partner with Grant Thornton, said yesterday that the figure was "probably nearer £15m". He was not able to estimate how much of the debt was guaranteed by Pentos. "There are a number of creditors, and a number of landlords who are guaranteed by the holding company - but we are not talking about a huge sum of money," he said.

The biggest creditors are likely to be the landlords of Athena's shops, who are owed

about £3.5m. Of the total 157 outlets, 127 are owned by Athena Holdings and 30 held under franchise agreements.

Athena's suppliers, which include a number of smaller companies that are unlikely to recover any of their money, could be hardest hit by the receivership. They are angry about the timing of the decision to put Athena into receivership and have sought legal advice about Pentos' action.

The Pentos management is understood to be sympathetic to the plight of the smaller suppliers but insists that the timing of the decision to put Athena into administrative receivership was dictated by the failure of talks with potential buyers of the business.

Mr Bill McGrath, chief executive of Pen-

tos, has said that the group was willing to "give Athena away". However, it is understood that the talks mainly foundered because of problems with assigning over the shop leases.

Meanwhile, the receivers hope to have developed a survival strategy by the middle of next week. Mr Barnes said: "Our strategy is that we want to get our feet under the table and see which of the shops are viable. We will probably be left with a rump that we will be able to do something with."

One option understood to be under consideration is the closure of the 20 or 30 shops thought to be mainly responsible for Athena's losses. The company lost £5m before exceptional items on sales of £16.2m in the six months to July 2.

Creditors condemn ring-fencing

Jim Kelly wonders whether Pentos' action will change the law

The decision by Pentos, the specialist retail group, to force its UK subsidiary Athena Holdings into receivership with up to £15m owed to creditors has produced a widespread sense of anger.

One creditor, claiming to be owed £60,000, said: "To ring-fence a bit of a business like this is morally reprehensible."

The situation has not been helped by Pentos' own admission on the state of its subsidiary. "We couldn't give it away," said the chief executive.

Pentos is forcing the subsidiary out of business because it believes that the estimated £9m to £12m needed to make it break even is better spent elsewhere in the group. Creditors, one of whom claimed he had been asked to provide supplies worth more than £25,000 days before Athena collapsed, have threatened legal action. However, whether or not they have a case is arguable. British law does not require a parent company to bail out a subsidiary.

"Each company stands alone," says Mr Malcolm Fillmore, an insolvency practitioner with the Paul Peters Partnership. "There is nothing in the law which says that a group has to stand behind you. There is no requirement to back it at all costs. Legally you would be fooling yourself - unless you get a guarantee or warranty from the holding company."

The lack of legal redress for creditors has prompted attempts at reform for more than 15 years.

During the passage of the 1986 Insolvency Act, a prohibition on the practice was discussed. It was suggested that subsidiaries which trade as part of a group should have the guaranteed backing of the whole group. The idea never made the statute book.

A European Directive on the issue also foundered. The broad issue has never been tested in court, according to Mr Fillmore, "but the conventional wisdom is that it would not succeed."

Even so, the action taken by Pentos is not common in the UK. "I have been involved in many major public companies which had unviable subsidiaries," says Mr Fillmore. "In almost every case they closed them down and paid off the third party creditors and wound up the wreckage - primarily for goodwill purposes."

But it does happen. In 1991 Courtney Pope (Holdings), the shop-fitting and engineering group, asked its banks to appoint receivers at six subsidiaries in an attempt to rescue the good companies in the group from those responsible for its losses and most of its debt. Traders creditors were not pleased.

But they were better placed than the shareholders of British & Commonwealth Holdings, the financial services

group which tried to save itself after putting its Atlantic Computers leasing subsidiary into administration.

After six weeks of frantic salvage efforts, it was the withdrawal of support from BC Merchant Bank that finally sent the parent down the same road as its subsidiary.

The practice of ring-fencing is rare for four main reasons. ● Loss of goodwill: at the time of the Courtney Pope case one insolvency expert said that allowing a subsidiary to collapse should only occur "under circumstances that are pretty dire and when the parent company is in a position where its reputation is no longer valuable. For instance, companies with a substantial credit rating would not let a subsidiary go because of the damage to that rating."

Goodwill is at the heart of most companies' reluctance to set an insolvent subsidiary adrift. Ring-fencing a subsidiary sends out distressing signals to investors and creditors. Creditors may seek broad financial guarantees from the group. "It leaves a nasty taste in the mouths of creditors who think they are trading with a group of substance," says Mr Fillmore.

● Legal risks: Pentos insists that it has followed strict legal advice throughout its problems with Athena. It is understood that the holding company was hopeful of finding a buyer as

late as the beginning of December. However, if the directors of a subsidiary did not have financial guarantees from its holding company, and continued to trade despite being insolvent, they could be deemed to have been reckless and face court action from creditors.

In contrast, a holding company could face action if a binding contract, which could be verbal, was made with the directors of its subsidiary to provide financial assistance.

● Corporate structure: groups divided into divisions are not able to take the course followed by Pentos, which is divided into subsidiaries. ● Financial guarantees: many suppliers and investors in subsidiaries have their exposure to loss covered by agreements with the holding company. Such a network of guarantees means the course followed by Pentos would make little sense as these debts would still have to be met. In Pentos' case such guarantees are not thought to be large.

The anger prompted by this latest example of ring-fencing an insolvent subsidiary is understandable and may well bring about a public debate on the issue. Only time will tell if the heat generated on this occasion is enough to change the law.

Piggy-back race to replace the Topic screens

By Norma Cohen

Topic, the London Stock Exchange's 10-year old electronic bulletin board, was turned off last night, allowing fiercely competitive commercial providers to enter the business.

The Exchange decided nearly two years ago that it no longer wished to sell screens which would carry the prices of shares and company news announcements.

Instead, it announced it would allow two firms to compete to replace its Topic screens.

In the end, the battle has pitted one of the world's largest information providers, Reuters, against both of the Exchange's chosen - and much smaller - successors.

Of these two, IGV, a London-based company owned mostly

by its management, has emerged as the apparent victor.

ICV has secured contracts for 6,000 positions of the 8,500 estimated Topic users, giving it 70 per cent of the Topic screen replacement market.

It has placed screens at 80 per cent of UK equity market-making firms and 50 per cent of gilt-edged market-making firms.

By contrast, Telekurs, a consortium owned by a group of Swiss banks, has about 1,500 screens.

Market users say that it was the relative simplicity and resemblance to the familiar Topic that led them to choose IGV over Telekurs. Telekurs, they said, developed a product which tried to incorporate too many features and which appeared cumbersome.

"One of the things we found out was that a single product would never gain universal acceptance," said Mr David Joyce of IGV.

Instead, IGV has developed two products. One is a Topic lookalike and the other, known as Topic 3, is a more sophisticated offering with the capacity to produce graphics. This competes more directly with a new Reuters product.

Officially the race to succeed the Stock Exchange's Topic screens was not to be a race at all.

The Exchange chose two potential providers, each of whom was to serve a different end of the market.

While IGV was to develop a product catering for smaller, retail-oriented firms such as private client stockbrokers, Telekurs was to cater to the market professional.

But it did not turn out that way. For one thing, Reuters, anxious to expand its share of the equity market information dissemination business, quickly came up with its own product, Equity Focus, capable of competing with both IGV and Telekurs.

In addition, all three companies also realised that what was at stake was far larger than simply replacing Stock Exchange screens.

That is because the company which leaves the most terminals in brokerages, investment houses and banks across Britain has the best chance of being able to "piggy-back" other equity information services on top and become the provider of choice for an expanding industry.

Mr Carl Kemp, of Telekurs, has stressed that "Telekurs is in it for the long term."



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MARKETS

Wall Street

Buoyant economy keeps equities afloat

Patrick Harverson surveys a year in which bonds slumped but shares held their own

This has been the year of the stock market crash that wasn't, and the bond market crash that was.

Contrary to the popular belief that US equity investors had a miserable year, 1994 was pretty good to the stock market. True, the gains in the main indices were either modest or non-existent (the Dow Jones Industrial Average rose just over 2 per cent while the Standard & Poor's 500 fell 1 per cent), and share prices ended the year some way below their highs.

Yet, it was quite an achievement for stocks to hold their own in a year in which a Federal Reserve, determined to prevent inflation from getting out of hand, raised interest rates six times (on the last occasion, by a hefty three-quarters of a point - the biggest increase in 13 years) and in which the bond market had its worst crash in living memory.

There was a good reason, however, for investor resilience in the face of rapidly rising rates. Throughout the year, the economy displayed remarkable strength.

In the first three quarters, gross domestic product grew by 3.3 per cent, 4.1 per cent and 4.0 per cent respectively. Analysts are expecting fourth-quarter growth of between 3 and 4 per cent.

The surprisingly strong economy led to corporate earnings remaining buoyant during

1994. The 900 US companies in *Business Week's* corporate scoreboard reported profits growth of 15 per cent in the first quarter, 45 per cent in the second, and 45 per cent again in the third.

Although analysts expect profits growth to have slowed in the fourth quarter, it will not be by much.

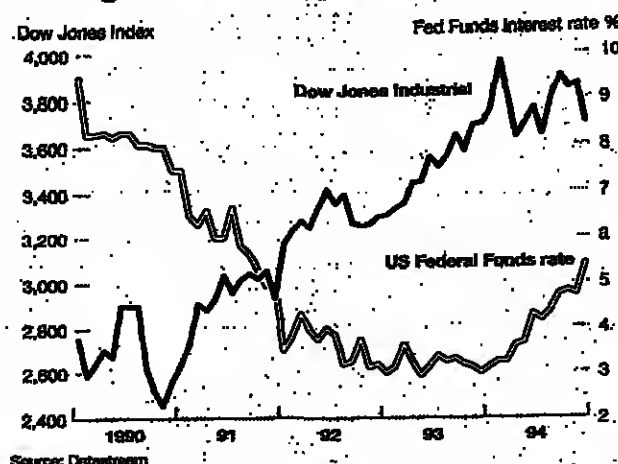
Thus, impressive earnings and economic growth sustained the market and investor confidence at a time when equities were under attack from rising interest rates and the fall-out from the crash in bond prices. And what a crash it was.

This year, 30-year Treasury bonds lost 24 per cent of their value. An equivalent decline in the stock market would have lopped 900 points off the Dow.

While the bond market's woes should be put in a longer-term context - this year's slump came at the end of a decade-long bull market - it is of little consolation to those who bought bonds at the start of the year in the hope that fixed-income investments would match the stellar returns of 1993.

The slump in bond prices triggered a rush among investors to get out of bond market mutual funds in 1994. Since the Fed began raising rates in February, investors have withdrawn more money from bond funds than they have put in, and in increasingly large amounts.

Will higher rates scupper the Dow?



In November (the latest month for which data is available), bond fund outflows totalled \$10.9bn, the highest figure on record. But flows into stock funds held up relatively well this year, which makes sense given the performance of equities.

There was not a single month in 1994 in which sales of stock funds exceeded purchases, although sales in November were the lowest since August 1991. Sales are expected to have risen in December when the market staged a late, but quite effective, year-end rally.

That money continued to pour into stock funds - to the tune of about \$10bn a month -

was not due just to strong economic and earnings growth. Demand for equity mutual funds remained healthy in part because of changing demographic and investing trends in the US.

The number of Americans in their 40s and early 50s is growing as the "baby boomers" of the 1950s and 1960s reach middle age. And they have been investing in stock funds over the long term to provide a future income stream to pay for educating their children and making provision for their own retirements.

Fund managers believe that the billions of dollars which this generation has invested in stock mutual funds in the past

few years will not be dislodged easily. A 1 per cent decline in the S&P 500 was certainly not going to do it.

This year also saw the return of the big corporate deal: Wall Street's mergers and acquisitions specialists had not been this busy since the boom days of the 1980s.

Corporate titans as diverse as Bell Atlantic, American Home Products, Eli Lilly and Viacom all completed billion-dollar takeovers which made many investment bankers - and many shareholders - very happy.

Yet, perhaps the most extraordinary statistic of 1994 emerged in the last few days of the year.

This week, the New York Stock Exchange announced that, for the first time in its long history, more than 1bn shares of a listed company were traded in a year. And what was the name of that company? IBM?

No, it was Telmex, also known as Telefonos de Mexico, the giant Mexican telecommunications group. If ever proof was needed of how global the financial markets have become, this surely was it.

Dow Jones Ind Average	Monday	Tuesday	Wednesday	Thursday	Friday
	3,861.69	3,861.69	3,838.49	3,833.43	3,833.43
		+28.26	-22.20	-6.06	

Tokyo

High hopes sag as locals remain wary

Emiko Terazono reflects on a year that started well but fell away in the second half

The Kabuto shrine in front of the Tokyo Stock Exchange has had another bad year.

During the late 1980s, the offering box was frequently full of ¥10,000 notes. But this year, with the three before it, ¥50 and ¥100 coins have been more the norm.

The god of investment does not really deserve such unkind treatment. Investors in 1994 at least saw the Nikkei average of 225 shares gain more than 10 per cent. In dollar terms, the index rose more than 20 per cent because of the yen's appreciation against the US currency.

It is, however, hard to ignore the fact that the Tokyo stock market failed to reach the heights predicted by many pundits at the start of the year.

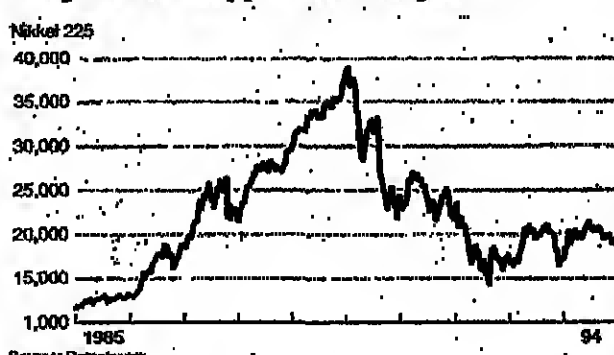
At that time, overseas fund managers hoped that an easing of government regulation over industries, active corporate restructuring, and the easing of short-term interest rates by the Bank of Japan would lift the economy and, consequently, boost share prices.

Foreign funds - mainly US and European - bought a record ¥3,200bn in net terms during the January-March quarter. But Japanese investors did not follow suit and share prices, which had risen 24 per cent in the first half, sagged after peaking in June.

Many US and European fund managers blamed the sluggish second half on this conspicuous lack of stock-buying by the Japanese. But they were constrained by continuing problems with their balance sheets and profitability statements.

Banks, which needed to offset their losses on bad loan write-offs, sold their long-term holdings to realise profits while manufacturing compa-

Tokyo fans disappointed this year



nies also liquidated their securities portfolios to shore-up earnings.

Life insurers, the leading institutional investors, found their ability to put money into risky investments (such as shares) limited by the falls in value of their existing investment portfolios. Their unrealised capital gains provided a safety margin, allowing them to take some risks, but this safety margin contracted as the market dropped.

Indeed, the unrealised gains of the top 18 life insurance companies totalled just ¥12,500bn last year, down 72 per cent from the peak in 1993.

Most retail investors have been absent from the stock market since the Nikkei average started its tumble in 1990. Some analysts had hoped that a rally led by private investors - similar to that of the UK and US a few years ago - would pull the market out of its slump, but they have stuck to safe bank deposits.

Although the mood has improved since last month's fall in the Nikkei to a nine-month low - triggered by the ¥600bn privatisation of Japan Tobacco and Sony having to write off losses arising from its entertainment business - fund managers at leading life insurance companies and banks remain cautious over equity investments.

And while the likelihood of a gradual economic recovery, a double-digit rise in corporate profits and low inflation point to a case for buying Japan, companies' balance sheet problems will continue to act as a drag on their ability to take investment risks.

While a rise in corporate profits could stem the degree of profit-taking selling by Japanese companies, most analysts believe it could take until the

latter part of the year for banks and life insurers to resume buying shares.

The compelling question is what overseas investors intend to do in 1995. Yutichi Matsushita, an analyst at Nikko Securities, points out that although this year's performance could have left some foreign fund managers less than impressed, Japan - as the last major world economy to recover from recession - would seem to offer favourable returns with only a low degree of risk.

Jason James, strategist at James Capel in Tokyo, says overseas funds remain underweight in Japanese shares. Average weightings in Japan for UK pension funds, for instance, were only 6.1 per cent at the end of September, while a neutral weighting within the overall overseas equity component would have been around 6.3 per cent.

James estimates that the underlying rate of net buying by foreign fund managers could be around ¥2,000bn next year. He argues that while they may not increase Japanese weightings further, it is unlikely they will fail to buy Japanese shares in 1995.



1994 proved to be a good year for UK oil companies - their share prices beat the market

London

When optimism was misplaced

David Wighton looks at where the analysts got it wrong

There is a traditional Christmas game beloved of financial columnists which consists of pointing out how wildly wrong highly-paid analysts were with their end-of-year forecasts. This time, the results are striking.

Their predictions for 1994 were mostly way out. But had they merely repeated their forecasts for 1993, they would have been spot on. Having been over-cautious in 1993 they were over-optimistic in 1994.

The FT-SE 100 index closed 1994 at 3,065.50, down 10.3 per cent on the year, but up nearly 8 per cent since the beginning of 1993.

In their defence, analysts might argue that the period between November 1993 and March 1994, in which shares rose and fell by more than 10 per cent, was what Lord Lawson, the former chancellor, might have described as a "blip" - an interruption in the steadily-rising trend since sterling fell out of the exchange rate mechanism.

The forecasters would have to admit, however, that they read the economy wrongly. The City, and almost everybody else, underestimated the strength of the UK's economic recovery in 1994 and the extent to which it would be achieved without re-kindling inflation.

It turned out that the threat to UK markets lay not at home but across the Atlantic. Low US interest rates had generated strong economic growth in the US and booming bond markets around the world as US funds sought out better returns.

Given the pace of US growth, a rise in short-term interest rates was expected widely. It was the reaction of the bond markets following the Federal Reserve's first move in February that took most observers by surprise.

Bond prices crumbled, driven partly by the unwinding of highly-leveraged, speculative positions held by hedge funds and banks' in-house trading teams. The UK gilts index fell by a tenth in two months and

equities were dragged down in line.

To be fair, many leading analysts downgraded their expectations swiftly as interest rates started to rise. Nomura's Nick Knight, whose bullishness was spelt out in 1993, turned bearish shortly after the Fed moved; by June, his 1994 Footsie forecast had been slashed from 4,000 to 3,000.

He is now one of the more bearish of market forecasters - along with Robin Aspinall of Panmure Gordon, whose January prediction that the Footsie would hit 2,900 at some stage during the year came true in June.

As gilts bottomed out the summer-autumn rally.

Both ended the year on a firmer note, but 1994 still goes down as one of the worst years in recent memory. Including dividends, equities provided negative returns for only the second time in the past 20 years (the other was 1990), while the negative return on gilts of around 11 per cent was the worst since 1974.

For equities, that came against a background of around 20 per cent growth in earnings per share and average dividend increases of almost half that. Dividend growth was better than expected, with cash flooding into companies' coffers and investment remaining subdued.

Many companies found themselves with too much cash and decided to return some of it to shareholders. Boots spent \$500m buying back its shares, while the regional electricity companies put a total of £1bn back into investors' hands through buy-backs or through special dividends.

Given the strength of corporate balance sheets, bids for UK companies were surprisingly few. Following the series of television bids - for LWT, Central, and Anglia - and GKN's offer for Westland, activity was rather subdued apart from the battle for VSEL and Enterprise Oil's unsuccessful £1.45bn bid for Lasso.

The problem initially was that the stock market was valuing companies more highly than potential holders.

This was reflected in the many new issues as companies (particularly former management buy-outs) that might normally have been sold to trade purchasers floated instead. All too many rushed on to the market - only to trip up shortly afterwards.

The fall in share prices failed to stem the flow of new issues or to fuel a widely-expected explosion of bids. But this month's £1.2bn bid by Trafalgar House for the Newcastle-based Northern Electric could well mark the start of a much more active period.

The bid helped to ensure that electricity was one of the few stock market sectors to end the year ahead. Most of the others that did so - such as oil, mining and paper - were businesses which benefited from price increases.

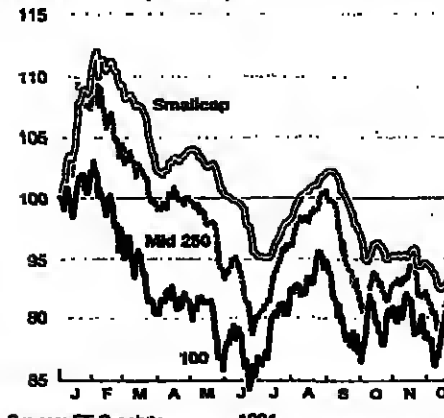
Once again, small company shares outperformed large, although not by much. During the first part of the year, small companies continued the strong relative recovery begun in 1993. But they were left behind somewhat in the end-of-year rally, what trading there was concentrated more on larger stocks.

At the end of 1994, both equities and gilts are offering reasonable value by historic standards. The yield on shares is back to 4 per cent, with another year of strong earnings and dividend growth ahead, while 10-year gilts are offering 8.7 per cent. That promises an attractive real return, and stiff competition for equities, unless inflation breaks back through 4 per cent.

UK valuations also look attractive relative to the US and most continental markets although, as 1994 showed once again, relatively cheap stocks can easily get cheaper still. Taking all these factors into account, we can predict confidently that the Footsie will have regained the 3,400 mark by the end of 1995... or perhaps 1996.

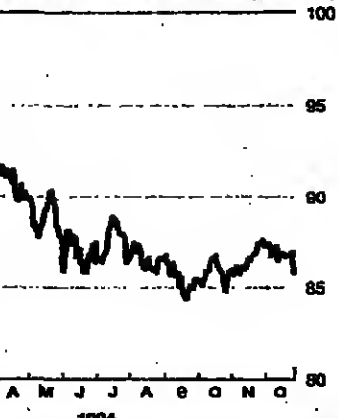
Small companies hold up best...

FT-SE indices (rebased)



...gilts bring up the rear

FT Government Securities Index (rebased)



How shares have moved

	Price on Dec. 30	% change on year	1994 High	1994 Low		Price on Dec. 30	% change on year	1994 High	1994 Low
FT 100 index	2380.9	-19.6	2713.8	2240.5	GBX	275	-69%	951%	259
ASDA	87%	+12	98	59%	Glaxo	692	-43	725	526
Allied Domecq	540	-129%	983	528	Grand Met	407	-98%	806	374
BOC	359	-43	478	325	Guinness	450	-27%	542	421
Boots	704	+45	767	627	Hovis	230%	-37%	302	217%
BT	45%	+45	457%	340	ICI	749	-51	868	727
BT	377%	-35	486	357%	Lucas Industries	204	+12	239	156
BT	2501%	-79%	401	273	Marlboro & Sponsor	388	-55%	407%	368%
Blue Circle Inds	282	-55	381	262	NorthWest Bank	514	-108	622	421
Boots	594	94	601	458%	P & O	610	-36	743	587
British Airways	357	-92%	498%	341	Reckitt	497%	+20%	539%	424
British Gas	314	-27%	358	250	Royal Indco	279	-61	350	232%
Cadbury Schwe	431	-76	546	382	S&W, Becham A	452%	+49%	473	357%
Courtauld	462	-26	580	420	Tate & Lyle	423	-23	487%	382
Forde	240	-21	285	209%	Thorn EMI	1055	+45	1165	959
GNK	588	+73%	650	510%	FT-SE 100	3065.6	-352.8	3620.3	2676.8

The table shows the percentage movement in the FT 100 share index and its constituents during 1994. The FT-SE 100 index is also shown. *Adjusted for capital change.

Barry Riley

Unfinished business poses threat

Lingering problems from 1994 could spell danger next year

Compared with the frothiness of 12 months ago, the securities markets are starting this new year on a much more even keel. So, would we see 1995 as a year of fluctuations, rather than one with any pronounced trend.

"These are hazardous times for forecasters, though - especially forecasters of economies. Last year, economic growth overshoot expectations in most countries outside Japan and inflation, in an entirely uncorrelated (even contradictory) way, provided a surprise by undershooting.

We cannot be at all confident that established economic models will tell us anything helpful about what will happen in 1995. At present, the consensus is that the pace of economic growth in the US and UK, at least, will moderate. That could be wishful thinking, but I shall use it as a working hypothesis. If, on the other hand, growth is sustained or even accelerates, then overheating will become an increasingly urgent issue.

In any event, short-term interest rates are going up. In the US, I expect money market rates to go to 7 per cent during the first half of the year. They will continue to rise in the UK as well and will embark on a rising phase of the cycle in Germany. Rising short-term interest rates always create difficulties for the long-term

markets in bonds and equities, and there are particular structural hazards this time.

In this sense, the main dangers in 1995 could well arise from the unadvised business of 1994. The unwinding of speculative excesses in the bond markets has not been completed satisfactorily.

Certainly, we must assume that rising interest rates will uncover some further horror stories in proprietary trading and corporate treasury mismanagement. Moreover, they will put increasing pressure on US mutual fund cash flows, which went negative for bond funds months ago but have showed signs of doing the same for stock funds only recently.

Repatriation of US capital has caused problems for many stock markets around the globe in recent weeks, with a flurry of redemptions in Latin America within the past few days. For the moment, however, this has conferred safe haven status on Wall Street itself. But Wall Street could find 1995 more difficult.

The long-term strategic problem remains that of the combination of dangerous financial imbalances in the US - now toyed with the alarming and wholly inappropriate possibility of tax cuts - with the financial insecurity of Japan, where investors are boarding year rather than mopping up the

glut of dollar securities. This produces a structurally weak dollar and the constant danger of a surge in US Treasury bond yields.

Still, Wall Street appears to have come back from the edge of a precipice within a few weeks. For the third year running, the US stock market has displayed astonishingly low volatility in 1994, while bonds have fluctuated wildly. But Wall Street is surely headed for a more serious

In sharp contrast to Wall Street, the UK economy appears better balanced than for many years

setback some time in 1995. In sharp contrast, the UK economy appears better balanced than for many years. A massive transfer of resources is under way, from the personal sector into company profits and higher government net revenues.

Over the past two years, company profits have jumped by 27 per cent while real personal disposable incomes have diminished by just 1.7 per cent. People hate it, but the shifts could persist for another year - until, finally, the government starts to panic

about the imminent electoral consequences.

For the UK's equity market, these changes are generating a benign framework in which the stock market's basic arithmetic is looking better all the time. True, the numbers looked more favourable before the Christmas rally and the All-Share dividend yield dipped below 4 per cent at one stage this week - awkward when gilt-edged yields have drifted back up to 8.7 per cent. But the company sector is cash-rich and dividends have risen by 8 per cent over the past year, with the good prospect of at least the same again in 1995.

Equities are, therefore, priced rather less tightly against long gilts, and an index-linked gilt yield of 3.9 per cent, than they have been, at times, in the past year. The prospective yield ratio, 12 months out, could be about 2. All the same, shares will need assistance from a reasonable bond market if they are to perform positively.

My general reason for caution - although not pessimism - about 1995 is that we are now moving towards the later stages of the economic cycle in which stock markets tend to encounter financial pressures, encouraging shares to become rather cheap.

I have two specific reasons as well. The profits boom looks anomalous in the face of

comparatively weak domestic demand, and could lead to competition becoming more intense. That could undermine the market's present earnings per share projection as rates of increase fall off disappointingly in the second half of the year.

Second, political tensions may well rise during 1995. The possibility that the UK government might fall in some unscheduled crisis during the coming year is not factored properly into the market. In any case, the possibility of a Labour victory late in 1995 or early 1997 is bound to become a more obvious drag on market values by the end of 1995.

If it is a problem for gilts, it will be a problem for equities, too. And gilt-edged will have to face the prospect of a government seeking popularity desperately in 1996. On the other hand, political uncertainty could hold back sterling - whereas, otherwise, sterling strength would be my suggestion for the biggest potential financial surprise for 1995 (if that is not too much of a contradiction in terms).

From the point of view of a UK stock market investor, 1995 seems likely to bring a contrast between domestic corporate sector optimism and increasing tensions in the global capital markets. Both bulls and bears may, at different times, have cause to feel satisfaction.

America Dow higher on mixed day for data

Wall Street

Investors not already on vacation finished the year with a mixed performance in very light trading yesterday morning, writes Lisa Branstetter in New York.

By 12:30pm, the Dow Jones Industrial Average had risen 10.77 to 3,844.26. The more broadly-based Standard & Poor's 500 dropped 0.49 to 460.68, the American Stock Exchange composite rose 0.15 to 431.51 and the Nasdaq composite slipped 1.57 to 747.96. Trading volume on NYSE was 115m shares.

Share prices, which many analysts had expected to rally on the last trading day of the year, were not helped by sinking bond prices. The long bond dropped more than two-thirds of a point in very thin trading and the two-year note was off slightly. The market was to close at 2pm in advance of the New Year's holiday.

Economic data was mixed. Sales of new single family houses fell by 2.5 per cent in November, but data released by the Purchasing Management Association of Chicago showed business activity up to a stronger than expected 67.5 per cent in December. Economists had expected a slight decrease to 65.0 per cent.

Health Systems International rocketed 37 per cent, rising \$84 to \$30 on news that the health services company was in discussions about a possible merger with Foundation Health. Shares in Foundation Health dropped 51¢ at \$304 after the company announced the negotiations.

The B shares of Viacom gained 3¢ at \$40 after reports that a sale of the company's cable systems was imminent. TCI Communications, down 3¢ at \$21, was said to be among the group involved in the acquisition.

After rebounding moderately on Wednesday and Thursday, Mexican shares fell yesterday morning as companies began to report their foreign exchange losses due to the peso's precipitous decline. Grupo Sider, down 4¢ at \$104, said it expected a foreign exchange loss of \$104m. Telcel lost \$1 at \$41.

Canada

Toronto pared earlier gains but still managed to stay in positive territory in very subdued midday dealings. The TSE 300 composite index was 3,977 higher at 4,066.62 by midday in quiet volume of 12.5m shares. The transportation index fell 0.9 per cent as Air Canada dipped 65¢ to C\$84.

Mexico down modestly

Mexican equities fell back slightly in early trading, with most investors reluctant to participate as they awaited details of President Ernesto Zedillo's economic emergency plan which is due to be revealed on Monday.

The IPC index was off 31.9 or 1.3 per cent at 2,679.16. Turnover was \$0.55m pesos. The market welcomed Mr Zedillo's address to the nation late on Thursday, and reacted positively to the appointment of a new finance minister. Telcel, shares slid 0.3 per cent, while ADRs on Wall Street were off \$1 at \$41.

Venezuela

The Caracas stock exchange rose moderately in slightly improved trading volumes. The Merivest index put on 1.45 to 151.82 with Electricidad de Caracas up 1 bolivar at 245 bolivars. The highest volume was registered in the steel group, Sivena, up 2.90 bolivars at 54.90 bolivars. Brazil was closed for a holiday.

ASIA PACIFIC

Nikkei down 13.2% in disappointing 1994

Tokyo

Dealer trading dominated yesterday's half-day session, and share prices sagged on the last trading day of the year on profit-taking, writes Shoko Terayama in Tokyo.

The Nikkei 225 average ended 29.92 lower at 13,720.06, up 13.2 per cent on the year. The Toxix index rose 4.75 to 1,559.09 and closed up 8.3 per cent from the end of last year.

The Nikkei moved between 19,879.34 and 19,833.22 during the day, fluctuating on year end position adjustment by dealers. Volume totalled 12m shares against Thursday's 208m. The Nikkei 50 edged up 0.81 to 267.17. Gainers led losers by 570 to 380, with 176 shares remaining unchanged.

In London, the ISE/Nikkei 50 index rose 2.50 to 1,287.92. While the performance of Japanese shares this year has disappointed many market participants who were expecting the Nikkei to rise as high as 25,000, returns have been favourable relative to other world-wide markets. The Nikkei has posted its first double digit gain for the first time

since 1989 when the Nikkei rose by 29 per cent. Thanks to the year's appreciation, in dollar terms, the Nikkei has gained 27 per cent and the Toxix has risen by 21 per cent. The leading gainers of the year were cyclical, with machinery up 30 per cent on the year, and other sectors including paper, steel and shipping showing strong performance. Utilities, metals, construction and foods were among the losers.

Some analysts believe that a weak recovery will mean further room for strength in the manufacturing sector. "If the current economic recovery were to follow previous cyclical patterns in the economy, the manufacturing recovery of 1994 would shift to a non-manufacturing led recovery in 1995," said one.

In Osaka, the OSE average closed up 73.22 to 21,702.45 in volume of 11.4m shares. Nintendo, the video game maker, fell ¥110 to ¥5,390 on profit-taking.

Roundup

Thin turnover characterised trading as the year closed. BHP dropped 32 cents

Contrasts, conflicts in long-term equity returns

Adrian FitzGerald compares a spectacular decade with the results of a five-year fight against inflation

Major equity markets around the world tend to produce their best returns during the month of January, and things were no different in 1994. The FT-A World Index rose by over 5 per cent on the month in local currency terms; the Japanese market rose by almost 15 per cent.

Then the US Federal Reserve spoiled the party in February by raising short-term interest rates. Long bond yields in the US and elsewhere were already being pushed up by fears that inflationary pressures would follow hard on the heels of economic recovery. And the US domestic economy was beginning to show signs of overheating.

Six interest rate rises later, those fears have not been fact to rest. Medium and long-term bond yields in the US are 2 percentage points higher than in February reflecting, in the main, the inflation risks that investors still perceive. Long bond yields in other major markets have also risen, though by a lesser degree in most cases.

It is not surprising, against this background, that global equity markets failed to extend

an excellent start to the year. In fact, the FT-A World Index in local currency, which hit its peak on February 2, is closing the year some 7 per cent below that peak level.

What is surprising is that, given the extent of the weakness in bonds, some equity markets did not suffer even greater falls during the year. US equities, for example, have held up remarkably well, falling only 4 per cent from their February peak. Optimistic investors (and stockbrokers) would argue that this resilience is proof that the bull market in equities is still intact and that a strong rally is assured once inflation fears subside. However, realists should take special note of the fact that US equities still appear very overvalued relative to bonds. Indeed, the ratio of bond yield to equity yield - a crude, inverse measure of relative attractiveness - is, worryingly, at its highest level since just before the October 1987 crash!

Equity markets need a bond market recovery, therefore, if progress is to be resumed in 1995. But this does imply, of course, that investors willing

ANNUALISED RETURNS FROM MAJOR EQUITY MARKETS							
	1980s				1990s		
	Local	US\$	£	Yen	Local	US\$	£
US	17.3	17.3	21.1	11.5	8.7	8.7	8.4
Canada	11.8	11.8	15.6	6.4	3.1	(-0.4)	0.2
France	24.3	18.8	23.8	13.9	3.5	5.0	5.7
Germany	27.1	18.7	20.5	10.9	2.8	4.5	5.1
Italy	27.1	21.5	25.4	15.4	1.9	(-3.0)	(-2.4)
Netherlands	21.8	21.8	25.8	15.8	10.8	12.7	13.4
Switzerland	8.5	8.9	12.4	3.5	10.5	13.8	14.8
UK	23.9	20.0	23.9	14.0	8.9	9.2	9.9
Australia	19.1	15.1	18.8	9.4	7.5	6.9	7.5
Hong Kong	18.1	12.9	16.5	7.2	28.7	28.9	28.4
Japan	21.0	27.3	31.5	21.0	(-11.1)	(-4.1)	(-3.5)

Based on FT-A World Index data from 1980. Local equity benchmarks used prior to 1987.

to commit new money to financial markets should not ignore the potential returns from bonds. Good returns from equities will only be forthcoming on the back of good returns from fixed interest securities.

And here lies one of the more important lessons to be learned from the first half of the decade, a period in which authorities around the world have fought to squeeze inflation out of the economic system. Contrary to the experience of the 1980s, it should no longer be assumed that equity markets will churn out high double digit returns year after

year. Moreover, it would also be wrong to assume that equity returns will always better bond returns by a wide margin.

Equity returns were spectacular during the 1980s. UK-based investors were particularly well served by international diversification, because of the depreciation in sterling to euro and the expected return from most of the major equity markets.

Equities will continue to deliver superior, long-term returns to investors prepared to take on additional risks. But long-term means long-term.

1990s. Japan has seen the worst performance of the major markets and now sits in local currency terms at 54 per cent of its value at the start of the decade. The yen has continued to appreciate, however, which has eased the pain for foreign investors. The highest losers have been the Japanese themselves who will have struggled to return to the expected return from most of the major equity markets.

Equities will continue to deliver superior, long-term returns to investors prepared to take on additional risks. But long-term means long-term.

And the experience of the last five years should serve as a reminder that equity returns may disappoint in the short to medium term.

UK-based investors, who tend to have a relatively extreme exposure to equities, will no doubt wish to do some hard strategic thinking in the light of this experience. Despite a poor performance in 1994, UK long bonds have outperformed US equities during the decade so far. The output averages just 2 percentage points per annum, but it is the first time since 1978 that long bonds have come out on top in a rolling five year analysis.

A similar analysis for the US market shows equities and bonds running neck and neck as the New Year approaches. It certainly seems highly likely that the current controversy over the scale of the equity risk premium - the excess return to be expected from equities over bonds - will become even more frenzied on both sides of the Atlantic in 1995.

Adrian FitzGerald is director of equity research at NatWest Securities in Edinburgh

EUROPE

Window dressing features as some bourses recover

Stability in the dollar, and recovery in a number of bond markets allowed some bourses to close the year on the up, writes Our Markets Staff. Amsterdam and Zurich were closed for the New Year holiday.

FRANKFURT saw window dressing push the Dax index to a session close of 2,106.58, up 1.4 per cent on the day and 2.8 per cent on the month, but down 7.1 per cent on the year. In December, said Mr Eckhardt, Frankfurt at Merck Finck in Düsseldorf, chemicals and electronics staged a recovery on positive interim results: Hoechst and Degussa kept up the good work yesterday with registered gains of DM337 and DM150 to DM469.

The best performer of the month was Metallgesellschaft with a gain of 12 per cent, but it was the worst performer in 1994 as a whole with a loss of 48.9 per cent. Otherwise, the year saw its expected switch out of interest rate driven stocks: Bayernrein and Bayernhypo followed Metallgesellschaft in the laggards list with losses of 22.6 and 21.3 per cent respectively. But the switch into earnings driven shares was delayed by the weaker dollar, the fall in bond markets and other election year vagaries.

PARIS was swayed by the expiry of the December futures contract. Activity was generally muted with year-end position squaring much in evidence as the CAC-40 index fell 33.00 to 1,831.35, down 8.5 per cent on the week and 17 per cent on the year.

The 30 basis point increase in base rates announced on Thursday was expected to have only a limited effect on economic growth, according to Salomon Brothers. It noted that many leading French companies had large cash piles and were therefore less dependent on credit to fund growth. Medium and small sized companies, however, could feel the effects. The broker added that political worries ahead of the presidential election in May were beginning to exert its pull on the activity of the financial markets.

Bank stocks remained under pressure following the rate rise. Société Générale fell FFR15, or 2.8 per cent, to FFR51, BNP FFR3.50, or 1.4 per cent, to FFR245.5 and Balcara FFR9 or 1.7 per cent to FFR51.

MILAN bounced back after the correction of the previous two sessions as hopes grew that an institutional government, headed by a non-political figure, might be appointed in the New Year.

The Comit index rose 7.48 to 632.48 in very thin trade, little changed on the week. The index was 2.1 per cent higher over the year, but 22.6 per cent down from the euphoric post election peak seen in April.

Montedison rose L30 to L1.223 in very heavy volume of 43.9m shares after the group said that it would merge with Finagro at midnight last night, ending recent arbitrage trade seen between the shares. Finagro, whose shares were delisted last night, finished L250 higher at L9,800.

Benetton gained L184 to L18,950 as the market awaited confirmation of reports that La Standa, the retailing arm of Mr Silvio Berlusconi's Fininvest company, was poised to sell its Euromercato hypermarket chain to a group led by Benetton and the businessman, Mr Leonardo Del Vecchio.

MADRID saw less over pres-

sure on the Spanish government and the general index rose 4.68 to 285.01, still down 2.7 per cent on the week, and 11.7 per cent on the year.

Banks improved, sensitive to the rise in bond markets, BCH leading with a gain of Ptas80 to Ptas1,650, but Banesto reversed Thursday's outperformance with a fall of Ptas24 to Ptas25. Turnover was Ptas6.39m.

Written and edited by William Cochran, John Pitt and Michael Morgan

SOUTH AFRICA
Shares were little changed during the half-day session. The overall index added 8.9 to 5,864.4, Industrials slipped 0.4 to 6,976.8, and golds put on 0.7 to 2,023.3. De Beers fell 25 cents to R4.50, and Riche-mont put on 50 cents to R42.

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES									
		Dec 30		Nov 30		Oct 31		Sep 30		Aug 31	
FT-SE Actuaries 100		1227.63	1228.86	1231.47	1232.17	1235.64	1234.01	1236.86	1233.22	1230.19	1230.12
FT-SE Actuaries 250		1266.01	1266.79	1269.95	1269.95	1269.95	1269.95	1269.95	1269.95	1269.95	1269.95

Dec 30: 1227.63, 1228.86, 1231.47, 1232.17, 1235.64, 1234.01, 1236.86, 1233.22, 1230.19, 1230.12

Nov 30: 1266.01, 1266.79, 1269.95, 1269.95, 1269.95, 1269.95, 1269.95, 1269.95, 1269.95, 1269.95

Oct 31: 1231.47, 1232.17, 1235.64, 1234.01, 1236.86, 1233.22, 1230.19, 1230.12

Sep 30: 1236.86, 1233.22, 1230.19, 1230.12

Aug 31: 1230.19, 1230.12

Jul 31: 1230.12

Jun 30: 1230.12

May 31: 1230.12

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Nov 30: 1230.12

Oct 31: 1230.12

Sep 30: 1230.12

Aug 31: 12

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Dec 30 / US\$)

(S&P 500)

Dow Jones

Nasdaq

Russell 2000

NYSE

AMEX

NYSE

AMEX

NYSE

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COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Copper ends with a flourish

The London Metal Exchange copper contract finished 1994 with a flourish in yesterday's shortened trading session. The three months price touched a 54-year high of \$3,032 a tonne before ending at \$3,022, up \$10 from Thursday and about 75 per cent on the year.

In ignoring a second successive rise in LME warehouse stocks and resisting the temptation to indulge in an end-of-year sell-off the copper market encouraged hopes of fresh highs being reached in the first half of 1995, before increased supply begins to hit the market in the second half. The market was friendly towards copper for another four or five months, "brokerage house Mer-

ill Lynch, told the Reuters news agency. Aluminium ended virtually unchanged on the day, despite news of another big fall in LME stocks, but traders predicted that the market could build on its 74 per cent 1994 rise. They warned, however, that the longer term prospects for aluminium prices depended on whether producers maintained the production cuts implemented under the "memorandum of understanding" agreed early this year.

A second-half price surge put the nickel market into the frame in the 1994 LME states. Ending just short of the \$9,000 a tonne resistance area, the three months delivery position registered a 69 per cent rise on the year, and dealers thought any substantial retracement was unlikely while uncertainty persisted about Russian shipment levels.

Richard Mooney

In contrast, the gold market ended a disappointing year with a fall towards its \$350-a-ounce support level. Early hopes of a decisive break through the \$400 barrier persisted for much of the year in spite of repeated disappointments. But analysts were yesterday keeping a low profile on prospects for 1995. After seeing the price end in the middle of its \$370-\$385 trading range, and down about 3 per cent over the 12 months, most were content to point to the Far Eastern demand underpinning the market, without seeking to encourage any bullish hopes.

In terms of its overall price gains the London Commodity Exchange's robust coffee market has been London's star performer in 1994, nearby positions ending with net rises of about 135 per cent. But at \$2,622 a tonne the second position was more than \$1,000 off the nine-year peak to which it was driven by the two damaging frosts and a subsequent drought that hit Brazil's growing regions in the third quarter. A post-Christmas rally was trimmed back yesterday morning when end-year book-closing lopped \$64 off the March delivery position.

LCE white sugar futures were marking time yesterday at the end of a year that saw nearby positions surge 44 per cent to 4 1/2-year highs. At \$405.20 a tonne the May delivery price was about \$10 off the peak, however, and there was concern that a big decline could ensue when US investment funds decided to take their money elsewhere.

The upward that attracted the funds into this market was prompted by successive scalings down in production forecasts and expectations of big purchases by China and Russia. But London broker C. Czarnikow said recently that these countries would probably stay out of the market until late next year, and the International Sugar Organisation warned that present high prices could "dry up physical demand from the price-sensitive importers which account for the lion's share of the world sugar trade."

Richard Mooney

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7% (Purity) (\$ per tonne)

Cash 3 mths

1991-2 1991-2

1995-6 1995-6

1997-7 1997-7

1999-9 1999-9

2001-1 2001-1

2003-3 2003-3

2005-5 2005-5

2007-7 2007-7

2009-9 2009-9

2011-1 2011-1

2013-3 2013-3

2015-5 2015-5

2017-7 2017-7

2019-9 2019-9

2021-1 2021-1

2023-3 2023-3

2025-5 2025-5

2027-7 2027-7

2029-9 2029-9

2031-1 2031-1

2033-3 2033-3

2035-5 2035-5

2037-7 2037-7

2039-9 2039-9

2041-1 2041-1

2043-3 2043-3

2045-5 2045-5

2047-7 2047-7

2049-9 2049-9

2051-1 2051-1

2053-3 2053-3

2055-5 2055-5

2057-7 2057-7

2059-9 2059-9

2061-1 2061-1

2063-3 2063-3

2065-5 2065-5

2067-7 2067-7

2069-9 2069-9

2071-1 2071-1

2073-3 2073-3

2075-5 2075-5

2077-7 2077-7

2079-9 2079-9

2081-1 2081-1

2083-3 2083-3

2085-5 2085-5

2087-7 2087-7

2089-9 2089-9

2091-1 2091-1

2093-3 2093-3

2095-5 2095-5

2097-7 2097-7

2099-9 2099-9

2101-1 2101-1

2103-3 2103-3

2105-5 2105-5

2107-7 2107-7

2109-9 2109-9

2111-1 2111-1

2113-3 2113-3

2115-5 2115-5

2117-7 2117-7

2119-9 2119-9

2121-1 2121-1

2123-3 2123-3

2125-5 2125-5

2127-7 2127-7

2129-9 2129-9

2131-1 2131-1

2133-3 2133-3

2135-5 2135-5

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2157-7 2157-7

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2161-1 2161-1

2163-3 2163-3

2165-5 2165-5

2167-7 2167-7

2169-9 2169-9

2171-1 2171-1

2173-3 2173-3

2175-5 2175-5

2177-7 2177-7

2179-9 2179-9

2181-1 2181-1

2183-3 2183-3

2185-5 2185-5

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2215-5 2215-5

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2225-5 2225-5

2227-7 2227-7

2229-9 2229-9

2231-1 2231-1

2233-3 2233-3

2235-5 2235-5

2237-7 2237-7

2239-9 2239-9

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Cash 3 mths

1991-2 1991-2

1995-6 1995-6

1997-7 1997-7

1999-9 1999-9

2001-1 2001-1

2003-3 2003-3

2005-5 2005-5

2007-7 2007-7

2009-9 2009-9

2011-1 2011-1

2013-3 2013-3

2015-5 2015-5

2017-7 2017-7

2019-9 2019-9

2021-1 2021-1

2023-3 2023-3

2025-5 2025-5

2027-7 2027-7

2029-9 2029-9

2031-1 2031-1

2033-3 2033-3

2035-5 2035-5

2037-7 2037-7

2039-9 2039-9

2041-1 2041-1

2043-3 2043-3

2045-5 2045-5

2047-7 2047-7

2049-9 2049-9

2051-1 2051-1

2053-3 2053-3

2055-5 2055-5

2057-7 2057-7

2059-9 2059-9

2061-1 2061-1

2063-3 2063-3

2065-5 2065-5

2067-7 2067-7

2069-9 2069-9

2071-1 2071-1

2073-3 2073-3

2075-5 2075-5

2077-7 2077-7

2079-9 2079-9

2081-1 2081-1

2083-3 2083-3

2085-5 2085-5

2087-7 2087-7

2089-9 2089-9

2091-1 2091-1

2093-3 2093-3

2095-5 2095-5

2097-7 2097-7

2099-9 2099-9

2101-1 2101-1

2103-3 2103-3

2105-5 2105-5

2107-7 2107-7

2109-9 2109-9

2111-1 2111-1

2113-3 2113-3

2115-5 2115-5

2117-7 2117-7

2119-9 2119-9

2121-1 2121-1

2123-3 2123-3

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2153-3 2153-3

2155-5 2155-5

2157-7 2157-7

2159-9 2159-9

2161-1 2161-1

2163-3 2163-3

2165-5 2165-5

2167-7 2167-7

2169-9 2169-9

2171-1 2171-1

2173-3 2173-3

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Russia attacked over tactics in Chechnya

By John Thornhill in Moscow

The Russian government is facing an increasing barrage of international as well as domestic criticism over its strong-arm tactics in the breakaway Chechnya region.

In remarks to be published today in the German daily Berliner Zeitung, Mr Klaus Kinkel, German foreign minister, says: "The methods which the Russian government is using to try to resolve the conflict are cause for the utmost concern."

In Washington, the state department for the first time directly criticised Russian tactics. Urging an end to attacks on civilians, it said the US was "deeply disturbed" by reports of the bombing of an orphanage.

A Chechen official meanwhile warned that a blaze at an oil refinery on the edge of the capital Grozny, set alight by the Russian bombardment, could spread to a nearby storage facility containing 5,000 tonnes of ammonia. This

threatened environmental catastrophe across the Caucasus, he said. The Russian ministry for emergency situations said the fire threatened only those living in the "near vicinity".

Renewed fighting left at least two Russian soldiers dead. The Russian government seemingly spurned an offer of a new year ceasefire from Mr Dzhokhar Dudayev, president of Chechnya, who declared independence from Moscow three years ago. Mr Andrei Kozyrev, Russia's foreign minister, reiterated Moscow's message that force was the only way to solve the crisis.

"We are in a situation where there is no other choice," he said, claiming that any other democratic state would behave in the same way.

The use of force was again condemned in Moscow yesterday when Mr Leonid Petrovsky, a communist member of the Russian parliament's human rights committee who has just returned from Grozny, warned that mili-

tary action threatened "the direct destruction of the Russian state".

The Women of Russia parliamentary faction also said it had been inundated with messages from soldiers' relatives urging a peaceful solution to the crisis.

In further criticism from abroad, Human Rights Watch/Helsinki, a US-based organisation which monitors compliance with the human rights obligations enshrined in the 1975 Helsinki Accords, protested that Russia was violating its international obligations under the Geneva Conventions, which protect civilians in armed conflicts.

Some Russian officials privately fear a continued conflict in Chechnya might tarnish Russia's image abroad, jeopardising its chances of receiving a substantial aid package from the International Monetary Fund.

West tells Russia of concern over Chechnya, Page 7
Hot irons, Page 7

Flat year for house prices forecast by lenders

By Alison Smith

House prices will not recover significantly in 1995 because of government plans to restrict mortgage interest payments for those on income support, the Council of Mortgage Lenders says today.

In a gloomy forecast for next year, the council says measures in the Budget last month to cut help for unemployed home-owners have introduced "a new uncertainty and nervousness" into the market. By the end of 1995, it expects house prices to be just 2 per cent higher than now.

It expects house sales to rise by less than 5 per cent to 1.325m in 1995 compared with about 1.28m this year. However, net new lending for homes next year is expected to reach £22bn - an increase of about 13 per cent on estimates for this year.

The importance of the mortgage benefit cuts, to be implemented from the start of next October, is that they will probably mean lenders will be more cautious about taking on new business.

Potential borrowers may also be deterred by the restrictions: they include reduced benefits for new claimants with mortgages, and no mortgage interest entitlement for the first nine months of a claim for new claimants who have taken out loans after the end of next October.

The Council of Mortgage Lenders, which represents banks, building societies and other lenders, is more optimistic about the prospects for 1996, however.

It believes that once the impact of the mortgage benefit changes has been absorbed, more positive underlying factors such as rising real incomes and stable interest rates will come to the fore. It forecasts that base rates will be 7.5 per cent by the end of 1995 compared with 6.25 per cent today.

The uncertainties that would come from another flat year like 1994 for the housing market, says the council, were highlighted yesterday in figures for monthly mortgage lending by the larger British banks.

These showed that new lending in November was slightly higher than in October, but still less than in November last year.

Net gross lending totalled £1.67bn (increased by the inclusion of £100m of mortgages transferred from a non-bank source) in November, compared with £1.54bn in October and £1.59bn in November last year.

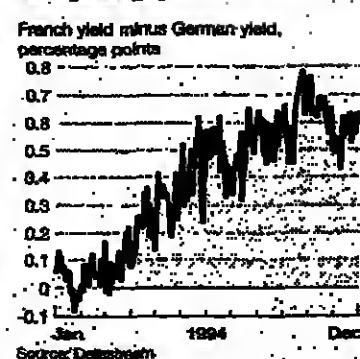
New net lending last month was £736m, compared with £576m the previous month and £612m in the equivalent month in 1993. New loans approved but not yet undertaken slipped to a value of £1.47bn compared with £1.42bn in October.

THE LEX COLUMN

French fears

FT-SE Index: 3065.5 (-0.1)

The yield gap



Source: Deloitte

French markets were supposed to pick up this year, as they benefited from economic recovery and low inflation and interest rates. But the CAC-40 has underperformed the DAX by 7 per cent and the FT-SE 100 by 9 per cent. French 10-year bonds were yielding less than German bunds in January, but now yield 60 basis points more. This week the franc hit a 13-month low against the D-Mark.

In theory, the markets should, at last, stage their recovery during 1995. The economy is making reasonable progress, with industrial production up about 2 per cent. Inflation, at only 1.5 per cent, does not appear an immediate problem, particularly as capacity utilisation is limited to 83 per cent.

But prospects, at least for early in the year, are not propitious. French markets, like those in Spain and Italy, are overshadowed by the threat of a rise in German interest rates. For the franc fort policy to be defended, any increase in Germany would need a compensatory rise in France. That could stifle French economic growth at a time when there is no inflationary threat and hit the equities market which has already discounted strong earnings expansion.

In any case, the markets are unlikely to move forward until April because of the presidential elections. The decision by Mr Jacques Delors, the franc fort's strongest supporter, not to run for office has contributed markedly to the markets' turbulence.

Mr Edouard Balladur, the most likely future president, is viewed as economically sound. But the fear is that populist Euro-sceptical candidates could force him to make concessions during the campaign that might undermine European economic convergence. The markets are unlikely to stage a rally until after the elections unless Mr Balladur's lead in the opinion polls strengthens further.

UK governance

The focus of the Cadbury committee's proposals was enhancing management accountability to shareholders. This has led to tangible improvements in corporate governance in the UK, for example a new and welcome emphasis on the role of non-executive directors. But it is time for the new Cadbury committee - due to be constituted early in 1995 - to investigate the responsibilities of shareholders as companies' owners.

Directors are entitled to feel aggrieved about a vast increase in

the so-called pre-marketing exercise - the time spent canvassing potential investors ahead of the formal book-building process - has been carefully structured. With British Telecom last year, the global co-ordinator conducted the bulk of the pre-marketing on its own. This time each of the 17 banks will be given the opportunity to pitch to favoured clients.

The innovations are devised by joint global co-ordinators EZW and Kleinwort Benson Securities and are modelled partly on practices in recent French privatisations. They are designed to create what bankers call "demand tension" - the broadest and deepest possible demand for the new shares. The mechanisms should be effective doing this, thus meeting the Treasury's aim of achieving the highest price for the shares. The limited number of syndicate members, including some niche players like Argenta and Mediobanca as well as global investment banks such as Merrill Lynch or Goldman Sachs, gives each institution large potential rewards and thus clear motivation to market the issue aggressively. This was not the case with the third tranche of BT shares: it is thought that more than 90 per cent of the shares were placed by fewer than 10 of the 60 syndicate members, suggesting that many did not try hard to sell shares.

The formalised pre-marketing procedure will also help motivate the syndicate members. They will have to compete among themselves for the right to make presentations to given clients, but, having jumped through this hurdle, they are likely to win the lucrative buying business from those clients when the book-building gets under way.

Japan's current account

Japan's trade surplus should shrink in coming years. The yen's appreciation will make exports increasingly expensive. Imports should rise as the economy recovers and products arrive from factories recently built elsewhere in Asia by Japanese companies. But the current account surplus is likely to remain contentiously large. Japan's net foreign asset position should surpass \$800bn in the next 12 months and could rise above \$1,000bn by the end of the century. This means that net income could rise from about \$40bn to as much as \$80bn by the year 2000, rather than the figure of \$100bn erroneously mentioned in Thursday's Lex Column.

Campaign targets EU obscurity

Continued from Page 1

and (English) language, could inadvertently help the campaign. "Erfi, Erfi" means "Off, Off" - as in "Off the Record", and is designed to obscure the source of information.

Ms Chrissie Maher, head of the Campaign, said the EC had been singled out for attack because many of its laws were "so badly worded that no one knows what they mean".

The chief catalyst was the Maastricht treaty, which Ms Maher called "so impenetrable that, if it wasn't so serious, it would have been a joke".

She wrote a letter of complaint to Mr Jacques Delors, outgoing president of the Commission, which she sent together with "the biggest Brussels sprout I could find".

Ms Maher received "a very nice letter back" pointing out that Mr Delors had not written the treaty himself. She was unimpressed.

One of the main targets of the campaign will be arcane new words - such as "externalisation" and the now-infamous "subsidiarity". Ms Maher sees them as "a form of corruption that Euro MPs pick up over there and think it's clever to use here."

Czech phone group ousts chairman

By Vincent Boland in Prague

The chairman of SPT Telecom, the Czech Republic's national telephone operator, has been ousted in a row over a contract for telephone cards, as international buyers compete for a 27 per cent stake in the company.

Mr Jiri Makovec was ousted as chairman and from his executive board seat after he lost a company supervisory board confidence vote instigated by the privatisation ministry. The board passed the motion after it considered newspaper allegations that he awarded the lucrative telephone card contract to Augustus, a company in which Mr Pavel Lintnyer, described as a close friend of his, is a big investor.

As general director, Mr Makovec combined the roles of SPT chairman and chief executive. It is understood that, stripped of his other offices, he will remain chief executive until a board meeting early in the new year considers the matter further. No replacement as chairman was immediately announced.

International telecommunications groups bidding for the stake in SPT, worth up to \$1bn (\$500m), said yesterday the controversy was unlikely to affect the time-

table for the tender. An executive at one bidder said Mr Makovec had had little or no role in developing the strategy for the sale, which is being supervised by the economy ministry and J.P. Morgan, the US investment bank.

The government has said it will announce the winner of the tender in March. Ten international companies from Europe and the US are vying for the stake in what is expected to be eastern Europe's biggest telecommunications deal so far. They include AT&T and Amertech of the US, Deutsche Telekom, PTT Netherlands, Italy's Stet, Tele Danmark, and a consortium grouping France Telecom and Bell Atlantic.

The remaining 26 per cent of SPT's shares have been sold to Czech citizens and investment funds and will be distributed soon.

The move to oust Mr Makovec must be approved at a shareholders' meeting within two weeks. This is thought to be a formality, as the state currently owns 74 per cent of SPT. Ten of the supervisory board's 15 members are state-appointed, and the no-confidence motion is understood to have been approved by a substantial majority.

goods have begun to climb.

Mr Ortiz took over at the finance ministry late on Thursday after the resignation of Mr Jaime Serra Puche, who was blamed for mishandling the devaluation.

The Mexican stock market was down 1.02 per cent by midday.

Mexico in talks on support package

Continued from Page 1

\$14bn or less in 1995. Proposals will also be made to open the financial system further, with the possibility that for the first time foreign banks may be able to take over Mexican banks. Negotiations were taking place

yesterday among leaders of government, business and labour to seek a new agreement to hold wages and prices down. Mr Santiago Osorio, labour secretary, said wages were intended to rise by no more than 7 per cent next year, but the unions are demanding more as prices for many

goods have begun to climb. Mr Ortiz took over at the finance ministry late on Thursday after the resignation of Mr Jaime Serra Puche, who was blamed for mishandling the devaluation.

The Mexican stock market was down 1.02 per cent by midday.

FT WEATHER GUIDE

Europe today

A low pressure system over southern Scandinavia and high pressure over the Atlantic will direct cold and unsettled air into the UK and western Europe. This air mass will produce showers, many with hail or snow, and even some with thunder. Most showers will fall in the northern UK, the Low Countries and Germany, while north-westerly gales will affect all the North Sea. A disturbance will cause rain in Spain and Portugal, although south-east Spain will be dry with sunny periods. Rain is expected in the Balkans but the Alps and Italy will be mostly dry. South-east Europe will have some sun. Greece will have scattered thunder showers.

Five-day forecast

The high pressure system over the Atlantic will move into the UK, bringing more settled conditions to the UK and France. Cold air will be pushed deep into Europe, even to Italy. Snow is expected in the Low Countries, Germany and the Alps, while occasionally heavy rain will fall in Italy, Greece, the Balkans and Turkey. Spain and Portugal will begin the weekend with rain, but sun will follow.

TODAY'S TEMPERATURES

Location	Maximum	Minimum	Location	Maximum	Minimum	Location	Maximum	Minimum	Location	Maximum	Minimum
Abu Dhabi	sun 25	18	Belgrade	rain 8	1	Conces	sun 31	19	Madrid	rain 11	3
Accra	sun 31	24	Berlin	rain 8	1	Casablanca	sun 21	10	Malta	rain 18	7
Algiers	sun 22	15	Buenos Aires	sun 22	10	Chicago	sun 21	10	Manila	rain 24	18
Amsterdam	sun 17	7	Bombay	sun 30	21	Colombo	sun 27	17	Mexico City	rain 24	18
Athens	sun 18	10	Buenos Aires	sun 30	21	Dakar	sun 27	17	Moscow	cloudy 31	19
Atlanta	cloudy 15	5	Buenos Aires	sun 30	21	Dallas	sun 27	17	Mumbai	cloudy 31	19
Bahia	sun 22	15	Buenos Aires	sun 30	21	Doha	sun 27	17	Nairobi	cloudy 27	17
Bangkok	sun 30	21	Buenos Aires	sun 30	21	Dubai	sun 27	17	Paris	rain 17	10
Batavia	sun 30	21	Buenos Aires	sun 30	21	Dubai	sun 27	17	Rangoon	cloudy 27	17
Bombay	sun 30	21	Buenos Aires	sun 30	21	Dubai	sun 27	17	Singapore	cloudy 31	22
Buenos Aires	sun 30	21	Buenos Aires	sun 30	21	Dubai	sun 27	17	Stockholm	sun 22	10
Buenos Aires	sun 30	21	Buenos Aires	sun 30	21	Dubai	sun 27	17	Sydney	sun 22	10
Buenos Aires	sun 30	21	Buenos Aires	sun 30	21	Dubai	sun 27	17	Taipei	sun 22	10
Buenos Aires	sun 30	21	Buenos Aires	sun 30	21	Dubai	sun 27	17	Tokyo	sun 22	10
Buenos Aires	sun 30	21	Buenos Aires	sun 30	21	Dubai	sun 27	17	Winnipeg	cloudy 12	7
Buenos Aires	sun 30	21	Buenos Aires	sun 30	21	Dubai	sun 27	17	Zurich	cloudy 7	1

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ON THE FRONT LINE

It has been the year of the hawk and the dove. FT writers profile the men of conflict and concord...

Carter's peace quest

The former president is waging a lone campaign

Jimmy Carter is a naval engineer by training and, as such, believes there are few problems not susceptible to a practical resolution. If, apart from the Camp David Middle East accords, his presidency from 1977-81 was unexceptional in its achievements, his life after the White House has demonstrated that the peace-making fire is burning more vigorously than ever.

It has been an extraordinary year for this independent-minded one-man moral band. In the summer he was instrumental in defusing a US nuclear confrontation with North Korea; in the autumn he led the US delegation that prevented, in the 59th minute of the 11th hour, a full American military invasion of Haiti; as winter dawned he took on the toughest problem of them all in attempting to stop the fighting in Bosnia.

Between 1989 and 1993 he had led international election monitoring teams to five third world countries and helped broker the settlement in Ethiopia that led to the independence of Eritrea.

Carter brings to any negotiating table rare talents, uncomfortable as they sometimes are to his own government and to others involved. His intellectual grasp of the minutiae of



WAR AND PEACE
Warmongers and peacemakers

problems and his dogged persistence in pursuit of the goal of peace are widely admired, yet his independence and his tendency to speak his mind can take him down roads that make both his supporters and his critics cringe.

His technique is built on the belief that the intractable may be subject to resolution if warring factions can somehow be persuaded, even if this means discarding past baggage.

Thus he was complimentary about Kim Il-sung, the late North Korean dictator, who had never heard a kind American word in 45 years; he commended Lt Gen Raoul Cedras, leader of the Haitian junta that had so oppressed the island nation, as a simple and honest

military man, with a rather attractive wife to boot. Yet on both occasions his public emolence seemed to have helped produce agreements.

This month he was so bold as to assure Radovan Karadzic, leader of the Bosnian Serbs, who stand accused, on solid evidence, of ethnic cleansing among other sins, that Americans had received a one-sided picture of the nature of the Balkan conflict. This may be accurate in the literal sense but was hardly politic and, for a man who, as president, had raised high the banner of human rights, it had the appearance of apostasy on a grand scale.

Yet, to Carter, the dynamics of the negotiating table may have justified such statements. Nor did he apparently allow the fact that Karadzic might have been using him as a pawn to secure legitimacy for his own regime to get in the way of his pursuit of the overriding goal of a ceasefire and a negotiated settlement.

Operating from the Atlanta-based Carter Centre, a combination think-tank and advocacy institute, the former president has a formidable network of contacts independent of the US government. In this year's intercessions, he acted after receiving approaches from North Koreans, Haitians and

Bosnian Serbs and not on prior commissions from Washington. Because of this there has been tension between him and the Clinton administration - at one stage over Haiti paupers so with his old friend Warren Christopher, the secretary of state.

But this very willingness to take on issues that governments themselves have failed to resolve, allied to the increasing respect in which he is held around the world, makes him impossible to ignore.

There are those who spent the 1980s denigrating his presidency who now say, cynically, that he is only in it for personal redemption, and perhaps the Nobel Peace Prize. But this surely misreads the man himself.

He left the White House at the age of only 56, sound in body and mind, deeply imbued with Christian beliefs and incapable of spending the rest of his life on the lecture or golf circuits, as many ex-presidents do.

What he has done at home, building low income housing, and in peacemaking abroad has brought him not only new regard from his fellow countrymen as a "good man" but clearly a revived purpose in life.

Jurek Martin



Jimmy Carter: independent-minded one-man moral band

Delic's ragged army

When a coalition of Muslim-Groat forces appeared to have scored stunning gains against the Bosnian Serbs, just two months ago, it seemed that General Delic had fulfilled his pledge to turn the tide of the war in Bosnia. However, the taste of victory was short-lived. Delic's Bosnian government forces were pushed back in a Serb counter-offensive backed by artillery and aircraft.

Since his appointment as commander of the mainly Muslim Bosnian army in June 1993, Delic has been hard-pressed to change the fortunes of his out-gunned army.

The 45-year-old general has launched two big offensives which have cost territory and lives. Last summer, he tried to link up two Bosnian enclaves. He dispatched 8,000 men, backed by fewer than 10 artillery pieces, according to UN commanders. A bold offensive in northern Bosnia resulted in a humiliating press conference in which Delic had to admit that his forces had walked into a Serb trap.



Delic: out-gunned

Delic is one of a handful of ranking officers in the Bosnian Army to have completed the commanders' training course, obligatory for making the rank of general in the old Yugoslav People's Army. He was trained as an artillery specialist.

It is one of the cruel ironies of the war that the artillery man finds himself commanding an army without artillery. He blames the UN arms embargo for the failure of his forces to break the Serb grip.

Delic was still in the JNA when war broke out in Bosnia. It remains a closely guarded secret how he came under suspicion for being Muslim - the then Colonel Delic managed to desert his command in the JNA barracks to join the improvised Bosnian territorial defence. From his logistics unit in Visoko, to the north of Sarajevo, he co-ordinated the arming of his fledgling forces.

Former JNA comrades remember him as a "pro-Yugoslav" soldier, a compliment considering that he now leads the enemy. Delic is credited for patching up the alliance between Croat and Muslims, who were at war when he assumed command of the Bosnian army. The new federation so far has paid off, helping him to open weapons channels through Croatia.

As commander, his first task was to root out criminals in his ragged armed forces. Many of the initial front-line defenders of Sarajevo, who roamed the city streets-gangstering to the trenches and terrorising the population at large, were arrested. A few of the most notorious gangsters were "shot while trying to escape".

He then set about trying to build a real army. Unlike his Serb counterpart, Delic has made it clear that he obeys political directives.

The poorly general is often seen strolling with his wife along the streets of Sarajevo. This does not go unnoticed by the inhabitants, who are keenly aware that most political and military leaders long ago sent their families to safer destinations outside Bosnia.

In spite of his unsuccessful campaign to re-capture Serb-held territory, Delic has vowed to free a string of towns. His native town of Celik remains a key Bosnian-government stronghold in the north.

While plotting that his army is "stronger every day", Delic occasionally reveals that the odds are against his army. Asked recently why he did not "take back Bosnia to the Drina", the river on the frontier with Serbia.

He snapped back: "With what?"

Rose on a mission impossible

As he nears the end of his year-long term as the world's most visible peacekeeper, General Sir Michael Rose, the UN commander in Bosnia, is a paradoxical figure: a daredevil soldier with a cautious view of peacekeeping, an intellectual with some colourful swear words in his repertoire.

The fact that he has lasted in the job for the full 12 months is itself a formidable achievement. He is the only man to have stayed the full course in a post which could be designed to turn the holder into a whipping boy for all sides.

His predecessors - a Canadian, a Frenchman and a Belgian - all left Sarajevo early, admitting their inability to cope simultaneously with the Neanderthal brutality of the Serb forces and the devious stratagems of their enemies.

Yet General Rose, a youthful 54-year-old with ice-blue eyes, has stayed the course, despite a whispering campaign against him in Washington, and endless abuse from Muslim politicians in Sarajevo, where no less than eight political parties have banded together to demand his removal.

The British officer, a veteran of more than 20 military campaigns in Ulster, the Falklands and the Gulf, has been excoriated by US newspaper columnists for his reluctance to call in air power against the Serbs except as a last resort.

But the general - acutely sensitive to criticism when he believes it to be ill-informed - has retorted that he is in the business of peacekeeping, not the imposition of peace by force.

"I work for peace and the people of this country, out for extreme propaganda or politicians," he indignantly declared after Bosnian Muslim legislators demanded his removal.

His tasks in Bosnia - to keep "safe areas" safe, broke and monitor truces, and ensure the delivery of aid - are ones that have repeatedly placed him on a collision course with local power-brokers, military and political. If they were praising him, that would be a sign that something was wrong.

In the latest blow to its mission, the UN has seen hundreds of its men detained for varying periods by the Bosnian Serbs, prompting even the most sympathetic observers to wonder how long the UN mission can continue.

For his first few weeks in Sarajevo, General Rose was hailed as a local hero, after knocking heads together and bringing an end to the siege of the city. But since that brief honeymoon period, his task has been a thankless one.

Where his mission works well - for example in stopping any recurrence of fighting between Croats and Muslims



Rose: endurance

in central Bosnia - the world hardly notices. His failures - especially the recent failure to stop the Serb encroachment on the enclave of Bihac - attract heaps of derision.

So the general, a tough-minded and sharp-tongued man who has often let his exasperation with Bosnia's warlords show, will doubtless be relieved to pass the baton to his successor, Major-General Rupert Smith.

General Rose is an intellectual among army officers. He studied politics and economics at St Edmund's Hall, Oxford and learnt to speak fluent French at the Sorbonne. Yet he has devoted much of his life to the application of force at its most spectacular and surgical.

He made his career in the Special Air Services, the British army's elite commando regiment, and he enjoyed the reputation of a tough-talking hawk in both the Falklands war of 1982 and in Northern Ireland.

Before coming to Bosnia, his best known achievement was masterminding the April 1980 operation to free 26 hostages from the Iranian embassy in London.

With the television cameras of the world looking on, a squad of SAS men under his command killed five of the Arab terrorists who had seized the building.

The rescue earned Rose the esteem of Margaret Thatcher, who was Prime Minister at the time; it made such a welcome contrast to the fiasco which befell the US air operation to rescue hostages from Tehran.

In recent weeks, the general has expressed astonishment that his erstwhile admirer has lent her support to the arming of the Bosnian Muslims and mounting tougher air strikes against the Serbs.

In the general's view, these moves would rebound against his soldiers. Lady Thatcher's comments are just one more brickbat for the stoical SAS commander to endure.

Bruce Clark

When reading Bosnia's tea leaves, analysts tend to ask two questions. Where is General Ratko Mladic and what does he think?

As much as he detests western observers, the Bosnian Serb commander does not appear to have much time for local politicians either. He appears to enjoy keeping them guessing. This may be the most innocuous of his pleasures. Over the past 30 months of war, Mladic has gained a reputation for brutal genius, masterminding the Serb campaign to carve out an ethnically pure state in Bosnia-Herzegovina.

His frequent disappearances have fuelled excited rumours of his death, and raised the hopes of his outmanoeuvred Bosnian Muslim and Croat foes. Even western newspapers have jumped the gun, carrying banner headlines reporting the "murder" of Mladic.

In his brash and crudely mischievous manner, the 52-year-old general shrugs off the reports, making impromptu appearances, usually somewhere on the front. Amid intense speculation about his

Mladic almighty

split with his leadership last April, Mladic played a flamboyant chess match with his political counterpart, the Bosnian Serb leader Radovan Karadzic, on the frontlines near Gorazde. Mladic thumbed his nose at the outside world, which was focused on Nato air strikes against Serb targets attacking the Muslim enclave.

Nine months earlier, in flagrant defiance of a UN no-fly zone, he had flown in a helicopter touring Serbian positions on strategic heights besieging Sarajevo.

Adored by the Bosnian Serbs, especially by soldiers for his hardline stance, the short and stocky Mladic regularly visits the frontlines. "We'll never hand over land for which Serb blood has been spilled," he pledges by way of explaining his refusal to meet international demands to roll back current Serb holdings from 70 to 49 per cent of Bosnia.

Described by a UN official as a "soldier's soldier", Mladic has spent long evenings over dinners and *rakija*, home-



Mladic: adored by Serbs

brewed brandy, with his UN opposite numbers in the Serb stronghold above the Bosnian capital. This camaraderie with the man who has been named by the US as a potential war criminal has stirred bitter comment in Sarajevo.

But the ruddy-faced general

appears not to care. Earlier in the war he was overheard ordering his men to pound Sarajevo with the largest calibre artillery the Serb forces had.

Personal tragedies seem only to have hardened his resolve to "completely defeat the Muslims". His mother was killed in the beginning of the war in a mortar attack on the outskirts of Sarajevo. Last April, his beloved daughter Ana, a 23-year-old medical student, committed suicide. The Serbian commander appeared dressed in black mourning clothes during marathon negotiations aimed at defusing the crisis round Gorazde.

Long before, Mladic was primed to seek revenge. The battle lines in 1991 gave him the chance to avenge his father's death in the second world war. Born in the village of Bozovici, in traditionally Serbian south-east Bosnia-Herzegovina, Ratko was two years old when his father, a communist partisan fighting against the Croat Ustashe fas-

It appeared at times during the past year that the South Korean president, Kim Young-sam, was hindering, rather than helping, the process to find a solution to the international dispute over North Korea's nuclear programme.

As the US negotiated last autumn with North Korea to persuade it to return to the international nuclear safeguards treaty, Kim was describing as "naïve" Washington's conciliatory approach. He suggested at one point that the troubled North Korean economy should be allowed to collapse rather than being bolstered with international aid that would be granted in return for Pyongyang's compliance.

The remarks by the 67-year-old president reflected the general frustration that South Koreans felt about the subordinate role their country was forced to play in the nuclear talks and the resulting agreement reached in October.

When North Korea threatened to withdraw from the nuclear non-proliferation treaty in March 1993, Kim Jong-il, the 52-year-old son and heir of President Kim Il-sung, took public responsibility for the act that precipitated an international crisis over Pyongyang's nuclear programme.

Analysts debated the motives behind the decision. Some believed that North Korea was fearful that the International Atomic Energy Agency would discover the country's nuclear weapons capability as inspections became more intrusive.

Others saw the action as a desperate attempt by an isolated and ailing North Korea to gain diplomatic recognition and economic aid from the US in return for its compliance with nuclear safeguards.

Another explanation was that Kim needed to build his credibility as a strong leader and refute criticism by domestic

Kim's balancing act

North Korea, which regards its southern counterpart as a "puppet state" of the US, has successfully demanded exclusive negotiations with Washington to settle the issue. Seoul's participation was limited to sending an observer to the talks in Geneva.

Seoul's exclusion from the US-North Korean talks was considered a blow to the country's strong national pride. It was also taken as another sign that Koreans have not yet achieved full political mastery over their divided peninsula without meddling from outside powers. Feelings of betrayal also affected Seoul's attitude.

How would you like it if your head of state were regularly talking to your worst enemy, said one presidential aide, referring to the US.

Attempts by Seoul to influence the outcome also led to



Kim Young-sam: hawkish

policy confusion. While Kim sounded hawkish at times, he also urged Washington to resist adopting a tough response when the US was contemplating a confrontation

with North Korea earlier in the year. Although Kim was criticised for his inconsistent stance, his advisers contend that he was engaged in a delicate balancing act to avoid a deep split in his own government.

He also wanted to prevent the nuclear issue leading to the possible break-up of the ruling Democratic Liberal party, which is still dominated by allies of the former conservative military government. "President Kim could not appear to be too conciliatory to the North," said one adviser.

Kim also had to take account of public opinion. An estimated 7m South Koreans, one-sixth of the nation's population, are either refugees from North Korea or their descendants. Most of them are supporters of the ruling party and harbour strong anti-communist senti-

Kim Jong-il puzzle

When North Korea threatened to withdraw from the nuclear non-proliferation treaty in March 1993, Kim Jong-il, the 52-year-old son and heir of President Kim Il-sung, took public responsibility for the act that precipitated an international crisis over Pyongyang's nuclear programme.

Analysts debated the motives behind the decision. Some believed that North Korea was fearful that the International Atomic Energy Agency would discover the country's nuclear weapons capability as inspections became more intrusive.

Others saw the action as a desperate attempt by an isolated and ailing North Korea to gain diplomatic recognition and economic aid from the US in return for its compliance with nuclear safeguards.

Another explanation was that Kim needed to build his credibility as a strong leader and refute criticism by domestic

tic rivals that he was not fit to succeed his charismatic father as the country's new head.

After 18 months of tense diplomatic brinkmanship, Kim has apparently succeeded in achieving all these goals. Under an agreement reached with the US in October, North Korea was promised diplomatic ties with Washington and badly-needed energy supplies to revive its crippled economy in exchange for dismantling its current nuclear programme and accepting safer light-water reactors provided by an international consortium.

Moreover, North Korea won as much as five years' breathing space before the IAEA is allowed access to several facilities that could disclose the full extent of the country's past nuclear activity.

The deal, which was concluded three months after the

death of his father, has also bolstered Kim's reputation. But it is still uncertain why he has not yet formally succeeded his father as general secretary of the ruling Korean Workers' party and national president.

North Korea is reaping other benefits from the agreement, including exploratory visits by foreign businessmen seeking to invest in the country.

What is extraordinary is that the country, which had a very poor hand to play, was able to gain such results. Pyongyang, using bluff and intimidation, played on regional fears that if it was pushed too far, it would lash out.

The US found that it lacked support from its Asian allies for a policy of confrontation, such as economic sanctions. The only realistic alternative was offering concessions to North Korea to persuade it to



Kim Jong-il: balancing act

adhere to nuclear safeguards. Nonetheless, the nuclear deal could still become unstuck. North Korea has so far refused to resume political dialogue with South Korea,

although it promised to do so under the accord. Pyongyang is hoping to isolate Seoul from its US ally in the same way that South Korea successfully weakened Russian and Chinese support for North Korea in the early 1990s. Continued refusal to negotiate with Seoul could jeopardise the agreement.

The recent downing of a US army helicopter over North Korea has also cast at least a temporary shadow over the deal.

More significantly, the agreement poses a potential threat to Kim's government in spite of the gains that it offers. The infusion of foreign investment and influence into North Korea's closed society could eventually undermine public support for the rigidly authoritarian state. Even if the nuclear agreement proceeds smoothly, Kim will still be engaged in a delicate balancing act to open his country without provoking social unrest.

J B

L S

TRAVEL

Signs of hope under the wall

Jimmy Burns visits the Belfast front line

It was at the far end of Cupar Street, West Belfast, in 1990 that I had first set eyes on Europe's last remaining political wall: a 20ft barrier of concrete and reinforced steel, zig-zagging through housing estates, churches, and factories, separating communities from each other on account of religion.

The "peace line" was erected 25 years ago by the security forces, with the support of both Protestant and Catholic residents. It still stands, a poignant symbol of political failure.

The peace line cuts across the back garden of Colette McFerran's small terraced house in Cupar Street and still blocks out the light from her sitting room. And yet, when I visited her, she sat talking of hope, a Catholic living in Protestant-dominated Belfast.

"You know it's really strange but I'm not afraid to go out at night any more," she said. "You have to give it time, but the mood is changing. People are talking about the houses they would like to live in, and the schools they would like their children to go to, and the lottery." McFerran plays both the Irish and the British lotteries.

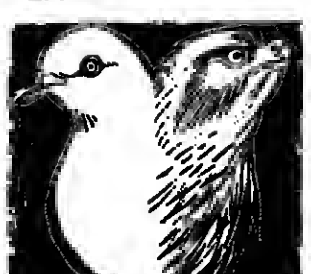
It is this war-weariness, this desire to experience the ordinariness of life without bombs and bullets, that is making life difficult for the men of arms. For as the ceasefire continues, the collective sense of fear is gradually lifting.

When I last visited McFerran four years ago, she described at length how she and her Catholic neighbours felt harassed by the British army. She told me about the day three drunken soldiers had ripped the flowers from her garden and called her an Irish slut.

Now she had a different story to tell, more in keeping with changing political realities. She described how her house had been taken over by the IRA. "My daughter Sinead,

who was then three, was sitting on my knee in the sitting room when these three IRA men kicked in my door and ran up the steps. They then started shooting from my upstairs window at the protestants across the wall."

Sinead was traumatised by the experience and had to undergo psychiatric treatment. Even now, at the age of seven, she still suffers from recurring nightmares and wets her bed. Whenever news about Northern Ireland comes on the TV she goes up and switches it off. The IRA has fewer friends than it once did in Catholic West Belfast.



WAR AND PEACE

Travelling in trouble spots

One of the greatest challenges facing the peacemakers of Northern Ireland is to change the attitudes of the children and young people, who have never known any other life than that dictated by political violence and sectarian hate.

No one knows this better than Mina Wardle, a stress counsellor, who lives on the Protestant side of the peace line, a few blocks away from McFerran, off the Shankill Road. Wardle's life reflects the troubles in microcosm. During the last 20 years, she has been the victim of armed robbery and death threats; she has tended to the mutilated victims of bombs, and seen a taxi

driver shot dead outside her front door. Her first husband, an alcoholic, unable to cope with it all, beat and abused her until she had no option but to call in a friend in the Royal Ulster Constabulary.

When I met Wardle in 1990, she was pessimistic about the future of Northern Ireland. As many local residents were being killed by paramilitaries as she was recruiting to her community workshop. She admits that such pessimism takes time and effort to erode, but she too feels a psychological change is taking place.

"After the IRA ceasefire, my son rang and asked what I thought about it. I told him I didn't think it was going to last. He said 'mum, don't be so cynical, you've got to give peace a chance. I just want to savour it. I want it to happen in my lifetime.' Then he broke down crying. That really touched me."

Wardle believes something fundamental was changing in Northern Irish society well before the ceasefire: the demoralising effect of so much of the violence and the sense of impotence that this generated among ordinary people, was giving way to a conscious effort to end tribal warfare.

It was the IRA bomb attack on a political meeting above a fish shop in Shankill Road in October last year (it left nine bystanders as well as the bomber dead and led to the inevitable retaliatory killings of another group of innocent Catholics in a pub near Derry) that cut through sectarian bigotry and provoked a catharsis. Neither the IRA nor their loyalist counterparts had any option but to consider suspending their military operations.

"Everyone involved in these killings felt they were in some way responsible and it generated a new way of thinking. All of a sudden people were united in wanting to claw back the value of life," Wardle said. But wasn't the situation still fragile with both sides still



A mural in south Belfast depicts the Ulster Freedom Fighters: war-weariness is making life difficult for the men of arms

holding back from handing in all their armory, I asked?

"We have to believe that this is the end of it and that we cannot go back to a situation where people are prepared to kill themselves over a wee bit of land. You have to believe that tomorrow is going to be better than yesterday, otherwise you're never going to wake up," she answered.

Faith in a better, less violent future, the tentative thought - unimaginable a few weeks ago - that 1995 could be the year of peace in Northern Ireland has yet to break down the peace wall. But it is beginning to be shared by those whose minds were once set on protecting their kind by killing others.

Twenty-one years ago Paddy Wilson and a woman friend were victims of a killing quite appalling even by Northern Ireland standards. Wilson, the then agent of the Catholic

Gerry (now Lord) Fitt, and the woman were stabbed to death and mutilated.

John White, the man charged with their murder and recently released after serving part of a life sentence, now sits in a recently furnished office off the Protestant Shankill Road, on the other side of the peace line from Cupar Street. He is a spokesman for the loyalist paramilitaries who have declared a ceasefire.

The man responsible for what Lord Fitt describes as "one of the most vicious murders in Northern Ireland history" looks fit and healthy, with his paramilitary tattoo on his right arm, and little repentance for past actions. While wants to talk only about the future.

"If I've changed my mind about violence, it's not because of my prison experience but because of my analysis of the

changing political situation - I realised that killing people was getting neither side anywhere and that it was futile. It was only alienating us from the community."

Yet change still has its parameters. Ask White about taking a bulldozer to the peace line and he will reject such an option, at least for now. He remembered the day it was put up. People were throwing petrol bombs at each other. He would be in favour of cutting a small door in the wall to allow people to move in and out during the day. It would close at nightfall. For he believes there remains a chilling threat of a return to violence.

"If rioting did break out again, it would degenerate into full-scale warfare. Stones would turn into guns, and violence would begin all over again. There needs to be compromise, but we have to move

gradually," he said.

That night, I drove to Bombay Street, another Catholic ghetto which backs on to the peace line. I knocked without warning on the door of a local resident, who I knew was a political activist.

Through a window I saw a youngish man, who had been sitting with his children, rise quickly and hide in the back-ground. Only later, after extensive introductions through a family member, did he come forward.

Martin McIlwee is leading a campaign to stop the peace line being taken down. His language remains unchanged as if the events of recent months were simply a cosmetic interlude in an ongoing process of ethnic cleansing.

"The day that wall gets taken down, the prods will be across, shouting 'Let's get those Fenian bastards.' If London is gearing up for another onslaught when the ceasefire breaks down, why shouldn't we?"

So the collective catharsis has touched White, but not McIlwee. Quite how many fall into one camp or the other is impossible to say.

Yet when I left Belfast this time it was neither White nor McIlwee that stuck in my thoughts, but McFerran and her daughter Sinead. I remembered what parent and daughter had said about some British soldiers they had seen.

Clutching her school books, Sinead tutted in on our conversation and said: "You know the soldiers make me laugh. They have pom poms on their hats which go round and round." Her mother had a more ordinary explanation. "It's very strange, you know, seeing soldiers without helmets. They look human."

A city without vultures or doves

It takes a while before you realise what is missing in Beirut - apart, that is, from electricity, interesting night-life and traffic lights. Then it strikes. No bird. Not a sparrow, not a pigeon in sight. Who can blame them for clearing off? Wrecked, wrecked and wrecked after a particularly nasty civil war lasting almost two decades, Beirut is only now returning to a semblance of normality. When the birds return, you will know that Beirut is once again on the regular tourist list. Until then, it beats other off-the-beat destinations - Tirana springs to mind - into a cocked hat.

For although Beirut easily wins 1994's Most Densely Packed Urban Bomb Crater gold medal - and narrowly nudges Manhattan into second place for the year's international Street Trash award - its inhabitants could charm the birds from the trees. If there were any birds, that is. How can a city where collective madness blasted bullets and mortars from every corner, suddenly be populated by such a relaxed, informal and welcoming citizenry?

There is probably no simple

answer. When I was there, the most plausible tended gently to ooze away, usually over dozens of mezza dishes and some succulent red wines. Beirut may have been hit into rubble, but it is still a gourmet's delight, as we found in the splendid Hotel Arabi, high above the town of Zahle, on the edge of the Bekaa valley.

Zahle makes an excellent oasis en route from Beirut from Baalbek, 86km north-east of Lebanon's capital. From 1975, when a Moslem leftist coalition began slugging it out with Christian right-wing militias, the (originally Phoenician, now Roman) site of Baalbek was inaccessible to all but the most determined traveller.

Even today, more than two years after the first parliamentary elections in 30 years signalled the petering-out of the war, obvious strangers strolling through Baalbek's bustling market are curiosities, to be gracefully acknowledged by older people, or giggled at by youngsters. It matters not that you have no Arabic, try French even though the French mandate expired in the second world war, many Lebanese have enough French for basic

communication.

Baalbek's beauty is two-fold. As one of the world's biggest ancient sites, the temples to Jupiter, Bacchus and Venus are well-preserved and beautiful. That dedicated to Jupiter still has six of its huge, 23-metre high, columns; the temple itself is enormous, measuring 440ft by 370ft. To give some

idea of that scale, the Parthenon is 228ft by 100ft. The nearby smaller temple of Bacchus - on the same scale as the Parthenon - is astonishingly complete, lacking a roof but with much of its internal detail remaining.

"If the war kept away the tourists, it also frightened off the tourist parasites. Apart from the Syrian and Lebanese flags, flying high on the ramparts of Jupiter's temple, the site is pristine. No ice-cream stalls, no fast-food joints, not a plastic souvenir in view. If hungry, dozens of stalls selling tempting cooked sweets and savouries are just five minutes walk away in the town.

Just a handful of postcard

sellers stand eagerly at the gate, one of whom does a nice line in touting coins, allegedly fished from the ruins. He also spoke excellent English: "I am going back to my studies next week, please buy. Look, I will sell you two silver ones for \$30. Take them, take them! Have this bronze one too, for \$25. Please." Were they genuine? Who knows. If you fire of Baalbek, then the 19th century palace of Beit Eddine, or the port city of Byblos - one of the oldest continuously inhabited cities in the world - are within easy reach.

Inevitably, travellers will be jittery about security. But I found it much safer to walk round Beirut late at night - the streets were empty, the run-passing Beirut amiable - than many cities of much safer reputation. Parts of south Lebanon are still out of bounds for travellers, as the sporadic war

between Hizbollah's fighters and Israeli forces drags on. Today, the Bekaa Valley is quiet, with only the occasional tiny Syrian anti-aircraft gun emplacement dotted along the route connecting Baalbek with Beirut. They look ill-prepared to fire shots in anger.

Has Beirut found peace through exhaustion? Hardly. The only cause of exhaustion today is the city's frenetic activity: rebuilding whole blocks; street-level trading of everything from three-piece suits to designer clothes; cars clogging streets bereft of traffic lights and road markings. It used to be said that whatever you wanted could be bought in Beirut; it is probably true once more.

Luxury apartments have sprung up again on the Corniche, the famous promenade overlooking the Mediterranean. Most are empty - understandable, at prices from \$1m for three bedrooms. Why don't their owners ask less? "They don't have to. They are waiting for the good times to return, and then there will be plenty of buyers," said a Beirutite.

The good times cannot be far off, if the current uneasy peace

persists. The thousands of homeless Beirutis who have stuck up plastic sheeting as protection against the elements in bombed-out apartment blocks, cannot wish for any more fighting. The advance guard of development - bankers, venture dealers and financiers - have already begun to trickle back, sniffing out embryonic deals in the urgently-needed reconstruction of everything from telecommunications to waste disposal.

Go to Beirut. It will not be easy, but it will be worth it. See for yourself what mass insanity can do, and see too, how the human spirit can survive even that. And get there before the universal merchants of plastic tat discover the country's delights; once they arrive, even the sparrows might think twice about returning.

Gary Mead travelled to Beirut courtesy of British Mediterranean Airways, which flies directly between Heathrow and Beirut five times weekly. Middle East Airlines flies the same route. Best hotels in Beirut are the Summerland and Coral Beach hotels.

Gary Mead

To Jericho by bicycle

Ibrahim Jadallah was insistent that we would be perfectly safe in Jericho. But, as the Director of Tourism, he wanted to be absolutely certain and so we were provided with a combined Israeli and Palestinian Authority armed escort.

We streamed proudly into the previously occupied West Bank town, flanked by Israeli jeeps flying orange flags and saloon cars with curtained windows containing moustachioed men totting AK47s. We were VIPs on bicycles.

In reality we were participants in a 250-mile sponsored cycle ride on behalf of the British Heart Foundation. But ours was a trail-blazing event. Just 21 pioneers in advance of three much bigger rides to be held in April 1995.

We were a mixed bunch, ranging in age from early 20s to mid 60s, all interested in visiting Israel at a time of great change and enormous optimism.

Our journey took us from Hageshrim along a "J" shaped route through the Jordan valley to the Dead Sea and then up to Jerusalem. Each day the cycling was different. We pedalled through orchards of grapefruit and avocado, down fertile valleys, through small

farms growing salad crops in the Occupied Territories, across deserts, beside glittering lakes and under shady trees. Sometimes we biked on main roads and at others on rough farm tracks.

We cycled close to the heavily fenced Jordanian border along a road lined with minefields and barbed wire and with occasional signs of past engagements. Our intention to ride along a track parallel to the fence itself was thwarted by a remote Israeli officer, even though permission had already been granted. But the Israeli soldiers, who had waylaid us in their machine gun carrier, were relaxed and jovial as the organisers strove by radio to reach agreement with their headquarters.

With the general air of optimism in the country, they had no qualms about passing over a flak jacket and gun for a fellow cyclist to pose for photographs. After all, the peace agreement with Jordan had just been signed and almost overnight a new road and checkpoint had been built at

the border.

Reaching an agreement with the cyclists proved less easy, however, and after an hour's negotiation, the soldiers were instructed to lead us away from the border along a tortuous route, using field tracks, to the main road.

We found Jericho a green oasis after the desert, the latest of a series of 23 cities which have been built on the same site over the millennia. It claims to be the oldest permanently inhabited spot in the world, the place where man first gave up being a hunter-gatherer to become a farmer.

Our route was littered with such gems, places made familiar by memories of religious education and Sunday school. We passed through the valley where David slew Goliath, cycled under the desiccated hill where Jesus spent 40 days and 40 nights in the wilderness and enjoyed a whole day in Jerusalem.

We even stayed overnight in the lowest place in the world, a kibbutz built 1,200ft below sea level, where we learnt how the Dead Sea scrolls were discovered.

covered, hidden in large jars and couched in caves which we cycled past on the following day.

It was to be a day of desert storms, strictly meteorological of course, which hit us on our way to Massada.

A brooding black-bronze brute hung over the Dead Sea as we hung out after lunch on this

We cycled close to Jordan along a road lined with barbed wire and mines

empty section, 12 miles of exposed road snaking off into the distance.

The wind came from the side, picking up stinging sand, buckling palm trees and hurling tumble weed across the tarmac. It was quickly followed by rain, hail and lightning causing flood water to flow across the road in brown

rivers. Shortly before Massada we were turned back by floods and we had to make a rapid retreat by vehicle before the waters closed in behind us too. It all seemed terribly biblical.

At a time when the National Lottery threatens to soak up the benevolent intentions of the British people, charities such as the British Heart Foundation are having to think of new ways to garner funds.

The lure of the Israel Experience, a trip to the Holy Land with a 250-mile sponsored cycle ride included, is just one of these. In order to take part in the Israel Experience, every one of the participants paid an initial \$175 registration fee, and undertook to raise a minimum of \$1,500 through sponsorship, of which at least \$1,000 goes to the British Heart Foundation Angina Research Appeal.

Some, such as Sarah, a non-clinical research scientist, and medical students, Karen and Ingrid, were motivated by their interest in medicine. Others had relatives who had experienced heart disease

including Robert, whose father had suffered from angina since his late 30s and who underwent extensive heart surgery in his 50s.

Still others, such as Adam, a film student, just fancied going to Israel and wanted to support a good cause at the same time. And one, Tony, had even suffered a heart attack just a week before retiring from his marketing job with a pharmaceuticals company six months before.

At that time he could hardly have imagined that less than half a year later he would be cycling into Jericho with a Palestinian Authority escort, still less that he would be crossing his face and lightning searing the clouds in front.

In retrospect, in an increasingly peaceful Israel, I suspect the desert storms were the more dangerous of the two.

Michael Woods flew with El Al and the ride, including accommodation, transport and the bikes themselves, was organised by Classic Tours. Three further Israel Experiences will take place in April 1995 - to find out how to take part, free phone the British Heart Foundation on 0800-800 575.

Michael J. Woods

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TRAVEL

The forgotten desert lake

Mark Nicholson discovers a remote corner of Egypt

There is a place, 1200km south of Cairo, of daunting calm, isolation and alien majesty. Of black, silent nights illuminated only by the dim whitewash of the Milky Way, of swirling blood-orange sunsets over a remote, forgotten landscape.

It can also, surprisingly, be a place where afternoon tea is accompanied by Sinatra tunes and 3,000-year-old Pharaohs are serenaded by Madame Butterfly.

Few more tranquil places exist. So I decided to spice the appreciation of this idyll by departing from one of the rowdiest, most ramblant places in Egypt, Cairo's Ramses Station, and pass through one of the most violent, the Nile valley towns around Assiut, where police and militant Islamic gunmen have traded fire and fatalities almost daily for two years.

Beginning a journey which would take me the length of the Egyptian Nile, I caught the Cairo-Assiut overnight express. "The spirit of the Orient Express," said the brochure. And fewer passengers, it might have added.

After dinner, only the staff remained in the walnut-trimmed *fin de siècle* bar of the first-class carriage. A lone English couple had played a hand of cards over a nightcap and retired. Essam, 14 years a hansom on this route, waved towards the empty tables. "The newspapers they make a problem for us writing about terrorists. Now it's finished, the terrorists. But the tourist, too, it's finished."

Militants have not fired at the overnight express, or tossed small bombs through its windows, since spring. Tough Egyptian policing has seen to that.

Just up the corridor, a brace of soldiers peered out at the passing cane fields and dimly-lit little brick dwellings. Rifles nestled between their legs, they stood firm.

The British government

advises travellers not to pass by land through Assiut, where the train stops to change drivers. I spent my defiance of Her Majesty's government unconscious of it, asleep in my Wagon Lit. Before my train passed, though, two militants were shot dead that night near the station at Mallawi, 100km north of Assiut.

At Assiut station, I took a short taxi ride to the High Dam, where, in the dam's westward lee, sat the *MS Eugenie*, the only cruise boat on Lake Nasser, a five-deck, mock-pal-



WAR AND PEACE

Travelling in troublingspots

die steamer, just one year old. It is a bizarre vision among the rusty boats and barges which once plied the lake to Sudan, before Egypt's relations with its southern neighbour soured.

But Lake Nasser is an odd, forgotten place. It yawns, glistening and incongruous, way off into the desert. An average of 10km wide, reaching 300km to Sudan and 200 thereafter, it is, thanks to Gamal Abdul Nasser's grand design and Soviet engineering, the biggest man-made freshwater lake in the world, full of perch and crocodiles; but by man, virtually uncharted in its 30 years.

Eugenie, though, is its queerest fish. It is an elegant, white, perky-looking craft, 70m long with 50 cabins, each with its own balcony. Inside, from a marble-tiled entrance hall beneath a star-spangled atrium

with stylised Egyptian motifs, the boat opens up a curling wood staircase to a long, elegant bar upholstered in rich reds and greens, a saloon of leather chesterfields and card tables, framed prints of Egyptian treasures between its windows. The whole decorated as if Terence Conran had designed a set for *Death on the Nile*.

On this cruise, on the rear deck beneath a white Italian panama, sat Mustapha Guindy, the boat's dapper 34-year-old owner, showman and one-man evangelist for the forgotten Lake Nasser.

He sold his Assiut-Luxor cruise boat to build *Eugenie*, completed with two years' work and 800 men on the lake itself. "People thought I was crazy," he says. That may not be because clear after just an hour's sailing into Lake Nasser's lost horizon.

Beneath a Nubian sun, a low tableau of distant, mysterious peaks and bluffs, hidden lagoons and virgin dunes glided by.

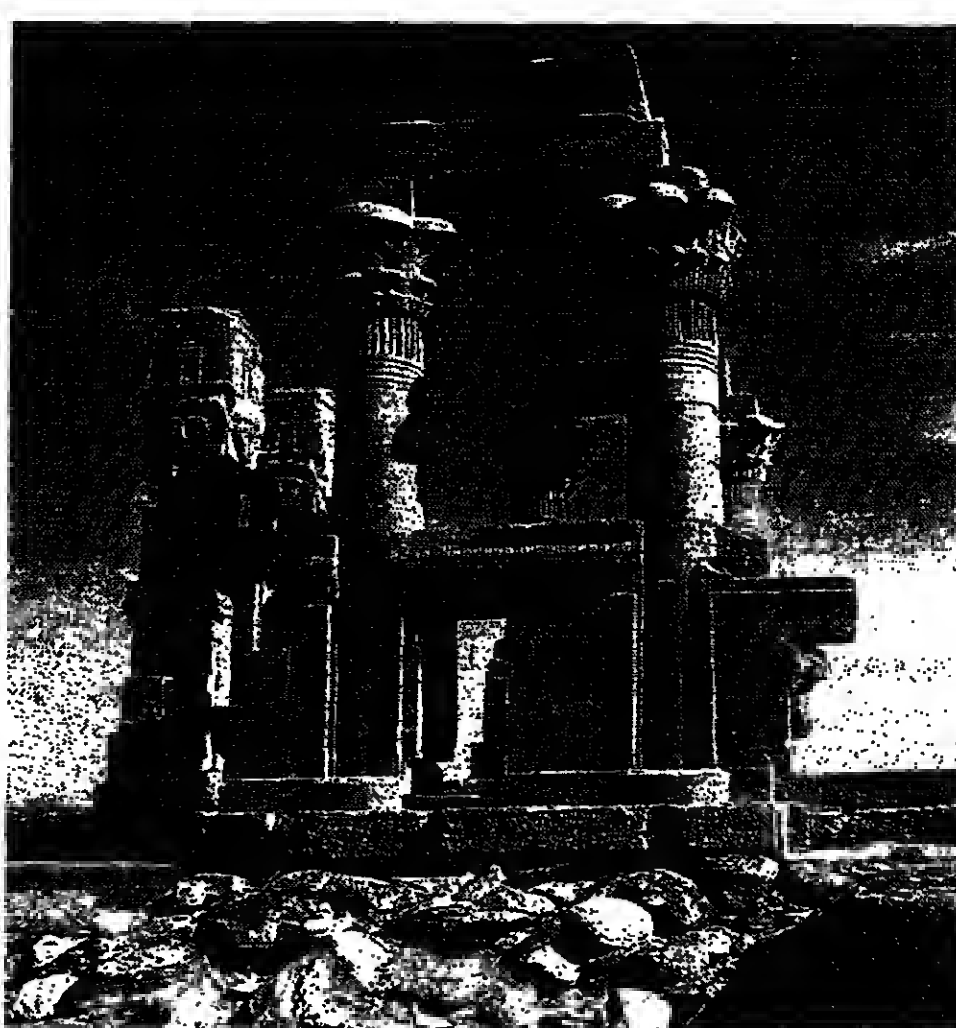
Wind-hewn natural pyramids suggestively litter the timeless horizon. As the lake's remote shores converge on *Eugenie* at the Tropic of Cancer and the breeze stills, the calm of this landscape only becomes more riveting.

Thousands of miles of desert shores touched only by a few gazelles, monitor lizards or basking crocodiles, the empty sky punctuated by a graceful wing of pelicans.

After a day's sailing grows the odd sense that this enormous empty expanse is a private lake for *Eugenie* and you. And not an Islamic militant in sight.

It becomes easy to understand Mustapha's missionary zeal for this remarkable resource. "The government sees it only as a big reservoir," he says. "But look how much more it is. It can be a dream. It just needs a plan - like the High Dam or the Suez Canal."

But while it remains his to play with, our boat turns his lake into an extraordinary



The temple of Kalabsha, Assiut

theatrical set. *Eugenie*'s several times moors beside temples rescued before the dam flooded this stretch of the Nile - less impressive than Nile valley treasures such as Karnak, Luxor or Philae temples, but incomparably more grandly and evocatively sited.

A third stop, by night, is beside the craggy ruins of the ancient fortress of Qasr Ibrahim, now an island. Under the stars, an improvised son et lumiere; the citadel is lit by dozens of flaming torches as Rimsky Korsakov's Sheherazade is blazed out from its midst, aptly the first movement: The Sea and Sinbad's Ship.

By the second day of this three-day voyage a week might have passed. Short guided tours at one of the stops create the fiction of an appetite for the uncharacteristically - for Egypt - good food at lunch. Tea and Frank Sinatra in the lounge at five. A general evacuation into the roomy cabins

for a snooze, or perhaps a sauna or steam bath. Then dinner.

By mid-afternoon on the final day, Abu Simbel hoves into view - the 3,000-year-old temple of Ramses II, who proclaimed himself a god and carved himself an appropriately grandiose tribute: four implacable seated colossi 20m high, and a massive inner hall of statues, chambers and dramatic reliefs, hewn from the rock.

It was rediscovered, deep beneath dunes, by Swiss Egyptologist John Lewis Burckhardt in 1813, cleared and entered four years later by Giovanni Belzoni, the Italian body-builder turned Egyptologist, and moved from its now submerged original location under UNESCO's auspices 30 years ago.

Before *Eugenie* moors beneath the colossi's gaze, the engines are cut, the boat glides to shore and Madame Butterfly rings from the boat's speakers.

More theatre.

After dark, the boat also has this magnificent temple to itself. The crew serves glasses of wine, and Mustapha, clearly relishing the role of latter day piper, leads us into the temple's innards of dramatic friezes and statues.

Then, alas, flights depart at dawn from Abu Simbel's tiny airport beyond for what passes as civilisation.

Of course it is perfectly possible to fly directly to Abu Simbel, but as we walked from the temple gates to our airport bus, and the first pack of visitors scrambled past, our collective sense of smug self-congratulation was palpable.

Eugenie departs Assiut-Abu Simbel on Saturdays and returns on Wednesdays. Double berths cost \$155 (\$94.50 a night for a double, \$96 a single. The suite is \$400 a night. Belle Epoque, which runs the cruise, is on Cairo (202) 333 4775/8734. Jules Verne travel is UK agent.

How to remain safe in Africa

I was once staying in a game lodge in Uganda when a Belgian tourist met a painful death because he tried to feed a sugar lump to an elephant. No doubt his friends back home concluded that Africa was a dangerous place and resolved never to visit the savage continent. They would not have understood that this had been a most rare and unlikely accident.

Many potential visitors to South Africa, who do not already know the country, probably have similar, and excessive, fears about what might happen to them. After all, an awful lot of people get killed there - you see it on television all the time, and this is no longer political violence but criminal (ie anyone can be a victim).

South Africa is a world leader in the incidence of violent crime (just one statistic: 60 of every 100,000 South Africans are likely to be murdered next year, compared with 10 in the US and two in Britain). The overall crime rate continues to rise, with heavy increases in rape and assault this year.

Is this not bound to enter the mind of the first-time visitor? Is it safe (or rather, because South Africa palpatingly is not as "safe" as Bournemouth or Biarritz) - is it safe enough?

The answer, as foreigners begin to pour into South Africa to visit this most beautiful of countries, is that the new South Africa is adequately "safe" so long as you are sensible, which is to try to understand the roots and the manifestations of a security situation which obviously cannot be compared with the Cotswolds.

The present situation in certain districts of the big cities is undeniably tricky, by which I mean that it demands caution and commonsense on the part of the visitor. Downtown Johannesburg is the best example: you would not dream of walking the streets after dusk and you would exercise some

care during daylight. ■ More generally, the visitor should learn the habit of locking car doors on the inside, concealing handbags and parcels, driving through red lights if there are suspicious youths at the junction, not flaunting jewellery, not carrying too much cash.

■ Outside the towns, the open countryside is much safer on the nerves. But the sensible rules still apply: do not drive through certain areas (eg the Transkei) at night - not so much because of any danger of brigands as of cattle on the unfenced roads; do not drive yourself into a township unless you have a guide or know where you are going; do not pick up people at the roadside without looking carefully; and do not go walking in remote areas without taking advice (best to stick to the national parks, where security is good).

■ Bear in mind that South Africa has an appalling record for simple road accidents. Drive very carefully.

There is no point in denying that South Africa today is an even more violent society than it used to be, which is saying something. But that does not begin to make it a no-go area. Let us keep a sense of proportion. How much of the above would also apply to New York City or Florida, Rio or Zimbabwe?

I am writing this from a delightful hotel on the Indian Ocean coast of the Transkei. We are protected by an electrified fence. At least, that is what it says: I have not tested whether the current is turned on.

■ PS: I am actually filing this piece from another, equally delightful hotel on the edge of Zululand. We are only a few miles from an area where horrifying tribal bloodletting has featured in the international press this year, yet they do not bother to lock the doors. But they do have a dozy Alsatian, a puppy, in the garden.

JDF Jones

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Michael J. Woods

HOW TO SPEND IT

Hmm, very tricky subject, taste...

Lucia van der Post on a subject which causes more dinner party angst than when to serve the cheese

Taste, as some of us know, is as tricky a subject as class and money. It can break up marriages and friendships more quickly than disputes over children. Lobbied in as a dinner-party subject and the opposing sides line up with rare ferocity. What most of us can usually agree on is that we are imbued with impeccable taste... it is other people who are prone, unfortunately, to dubious lapses.

When it comes to houses, and the way we live today, there are two instinctively different and opposing aesthetics. There are those who feel comfortable with the old and familiar, with time-honoured ideas and the reassurance of tradition. They tend to choose chintz and capacious sofas, the familiarity of much-loved objects that appear timeless and mellow.

Then there are those who just as instinctively feel a psychological need for a new broom, for a look that breaks with the tired patterns of the past, that reaches out into the future. They need air and space, the aesthetic shock of the new, a sense that first principles have been re-addressed, that modern needs have been redefined.

André Putnam perhaps puts their point of view best when she says "physical comfort is never the first thing I prefer spiritual comfort, by which I mean space, light (natural as well as artificial), contrasts of textures and pure lines. I never look for literal comfort, but for something that allows my mind to rest."

What both sides do agree is that there is more to style and taste and ways of living than mere function: our houses and the things we surround ourselves with resonate with emotion. They matter to our psychological comfort. In a world where the home is ever more important, they are a refuge from the increasingly hostile world, a place for self-expression, a setting for the most intimate and important part of our lives, how we furnish, how we live in our homes touches us at a deep level.

That we all do it in different ways proves that beauty is indeed in the eye of the beholder. As Christopher Alexander, mathematician, architect, contractor and craftsman, put it: "What does 'beautiful' mean? It means that the thing makes me feel joyous, more rooted in the world, more whole as a person."



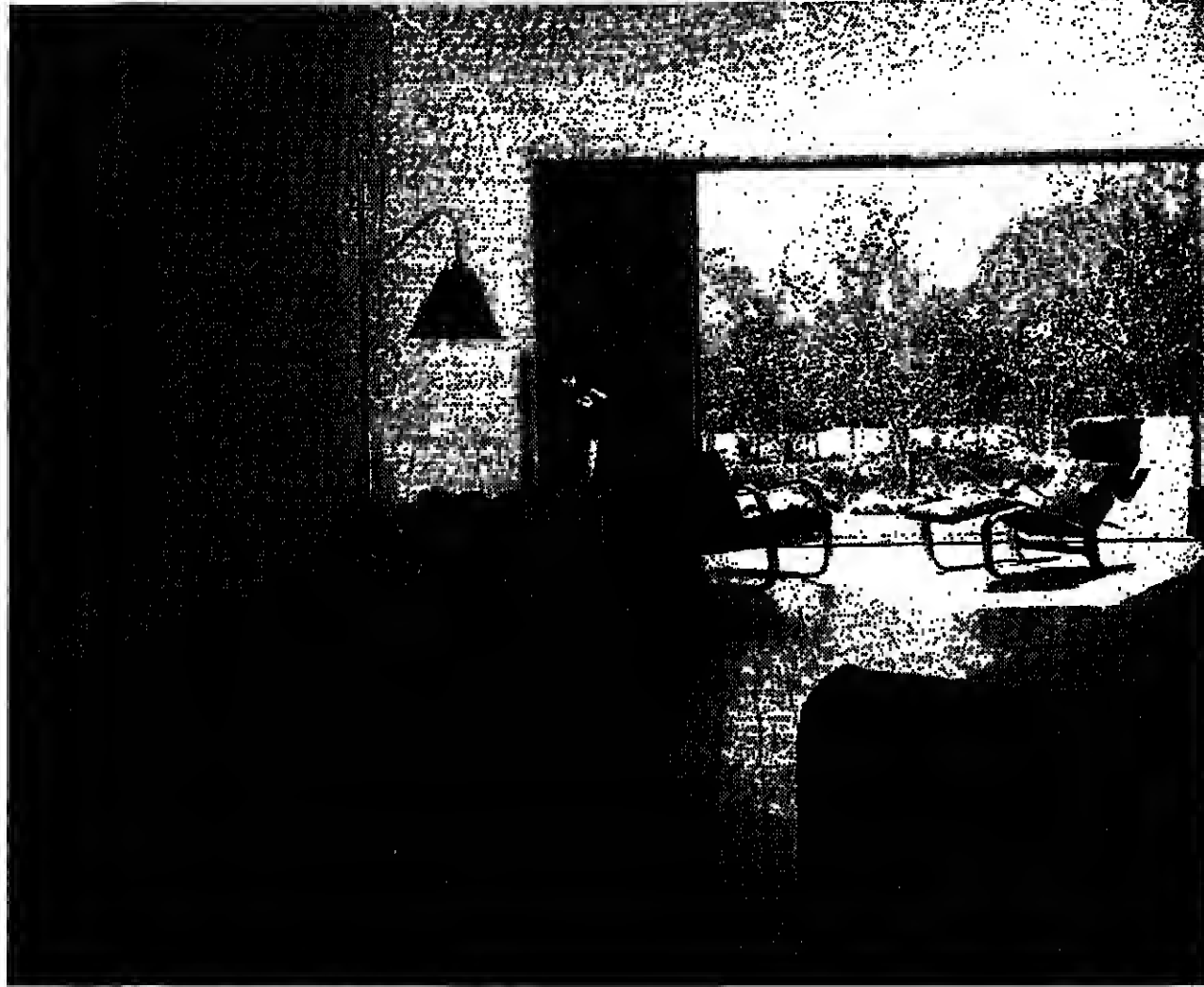
many ways of living well as there are people, *How to Spend It* interviews the leading exponents of the two main aesthetic trends.

The decorator who makes your house look lived in

Why minimalism can become a tyranny



Tom Parr says of his bedroom: "It perfectly sums up my approach"



A typical Chipperfield interior: a sensitive and sympathetic setting



Tom Parr

Tom Parr is chairman of Colefax & Fowler, which perhaps more than any other decorating company, symbolises the contrived look, the world of chintz and "bumble elegance". Nobody else is quite so skilled at doing up houses so they look as if they had been forever thus. His motto could be "nothing should look too new or too smart" or else: "Comfort, comfort, comfort."

"There are two main approaches to life, living and decorating - what I call the heart and the head approach. Minimalism or the outright modernist approach is really about the head, the theory of it, the rationalisation of it. Whereas what I stand for... I think... is all heart."

"A decorator is an arranger of rooms and houses and the intention is to make them more comfortable, more enjoyable for the owners and their friends, to give them a way of housing their collections and belongings. In the end one must arrange the house and the belongings so that they are not only pleasing to the eye but to all the other senses."

"When I see pictures of minimalist bedrooms I see not a book in sight and nowhere to put a book down, no belongings to bring comfort to the eye. What do the people live in them do? I see no pianos, no knitting, no children's toys, no television sets, no dog baskets. All these things have a place in life and need to be allowed for. Putting one stool in the

middle of a bedroom and calling it a bathroom seems to me had decoration. It may please the eye but what is the point of having a fine room if there is nowhere to put your martini glass?"

"I am reminded of the house of the great American architect Philip Johnson. Years ago I had lunch with him in the famous glass house he had built for himself. It was a glass cube with a core in the middle apparently for the kitchen and other essential workings but when it came to lunch all the delicious food came from outside, from another nearby kitchen. The house was a game, a front. It didn't work."



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"When I start on a room the first thing I do is find out how the owners are going to use the room. Only then do I think about colours and textures and furniture. I try to give them a background against which they can live their lives."

"I like to use some of the things they already have and don't like to re-cover everything and make it look brand new. Old things, shabby things, offer continuity with the life they had before."

"My own bedroom perfectly sums up my approach - it gives me such joy when I go back to it. It's got everything I want - a desk, a bed with a hand-made hair mattress, good lights, a television set, lots of books, a fireplace that works, pictures that I love."

"The library at Badminton is a room that I love - everything happens there. There are always lots of people and drinks and dogs and it's so sympathetic and the people who own it know how to entertain better than anybody else in the world. Sometimes you make people lovely rooms but they don't know how to make them work because they don't have generosity of spirit. The people who live there matter - as a decorator you can only give them the framework - then it is up to them to bring them to life."

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FASHION

Is glamour glitter – or a graceful line?

The Italian designers Versace and Armani represent two opposing camps of high style. Each faction has its followers, explains Brenda Polan



Versace: predatory females stalk the catwalk

Neil McInerney

The fashion industry is a community more visual than verbal. So when it needs to articulate its theme, it has an irritating yet for buzzwords which mean nothing to outsiders. The current favourite, repeated mantra-like to the point of mind-washing meaningless, is "drop-dead glamour".

You probably think you know what it means. It is Joan Crawford looking dangerous in silver sequins and a soft-focus aura of light. It is Marilyn Monroe in something very similar singing "Happy birthday, Mister President". It is Claudia Schiffer in a silver lamé Versace, strategically covered but in obvious and imminent danger of becoming, with one shrug, uncovered.

Drop-dead glamour, you might think, is distant, unattainable, on a pedestal – the refined glamour of Armani as opposed to Versace. But, others may say, it is drop dead because that's the attitude it demands of the wearer, who stokes up men's most fevered dreams, seemingly to gratify them, but tells them to drop dead instead.

Versace is the standard-bearer for one sort of glamour. Armani leads the opposite faction. It is an old battle. The tension between a richly decorated, flamboyant, look-at-me style of dress and its modest opposite is the allegory in cloth for the story of the flesh versus the spirit, power versus piety, sensuality versus sensibility that has prevailed in most cultures throughout history.

Cleopatra, Jezebel, Delilah, Mme de Pompadour, Jean Harlow, Christian Dior, Jane Russell, Lana Turner, Gina Lollobrigida, Marilyn Monroe, Brigitte Bardot, Claudia Cardinale, Cher, were all Versace girls, glitter queens to a woman.

In the other camp, refined and Armani-esque, were heroines such as the dignified Portia, Esther, Julian of Norwich, Catherine of Aragon, Queen Mary, Mme de Maintenon, Madeleine Vionnet, Coco Chanel, Jean Muir, Rosa Lux-



WAR AND PEACE

Flesh versus spirit

emburg, Wallis Simpson, Diana Vreeland, Greta Garbo, Marlene Dietrich, Lauren Bacall, Bette Midler, Princess Grace and Jacqueline Onassis.

Although the Versace army (and its uniform) may be in the ascendant, the style wars continue.

Both sides have their great generals, their hierarchical lines of command, their cannon-fodder foot-soldiers, their temporary alliances and fifth columns. Their two field marshals, however, are both Italian and it is their stated antipathy to each other's styles which has drawn up the battle lines for the current round in a war as old as human dress.

You could, to be mischievous, sum up the style of Giorgio Armani as one in which taste is everything and that of his opponent, Gianni Versace, as one in which taste is of no account whatsoever.

You could define Armani's conception of female sensuality as a thing of intellect, subtlety, and harmony, the product of a cultivated, civilised sensibility. Versace would call it a characterless, bloodless celebration of beige.

You might describe Versace's perception of woman's sexuality as an uninhibited celebration of the archetypal female principle, the primitive fertility symbol alive and predatory. Armani would dismiss it as vulgar, crude, an insulting parody.

The two men have been stars of international fashion for two decades. It was Armani, now 60, who, along with the knit-



A certain style: Armani harks back to the elegance of Wallis Simpson



Armani-esque look of refinement: Jacqueline Kennedy Onassis



Giorgio Armani: 'Vulgarity in life and in fashion offends me'

wear specialists, Missoni, first pushed Italian ready-to-wear into prominence in the 1970s. Around them grew up a group of designers, including Versace, who showed their collections in Milan – a city built on commerce and modernity.

It was Armani who added something new to the modern wardrobe by deconstructing the masculine jacket. He softened it, relaxed it, and made it the key item of clothing for women.

The laid-back, so-cool look of the modern executive woman, sleeves pushed up, hands in pockets, was invented by Armani. He rightly demurs when you call him a minimalist but his approach is certainly about rationalising, paring down, permitting beautiful fabric cut in simple shapes to speak for itself.

There is no anxiety to impress in Armani's style; there is, instead, a quiet assumption of being perfectly, appropriately dressed. It is a style favoured by the Duchess of Kent and her daughter, Lady Helen Taylor, by Michelle Pfeiffer, Julia Roberts, Anjelica Huston.

The career of Versace, more than a decade younger, was launched on the back of this new sophisticatedly understated Italian style. His own instincts, however, tend more towards bravura overstatement. He may once have produced those early-1980s Italian easy tweeds but he teamed them with slick, glossy, body-hugging leather and, as he grew in stature and confidence, the tweeds and the easy gave way to the leather, the satin and the lamé, the body-hugging and figure-flaunting.

Versace's favourite story, told with a sweetly innocent sincerity as if he himself does not realise the implications of what he is saying, is about how, when accompanying his mama to church in his hometown of Reggio Calabria, they would pass the local brothel. Despite maternal injunctions to cover his eyes, he would peek. He found the prostitutes beautiful. The experience made him want to make all women beautiful.

From Armani you get no such charming autobiographical clues. He may reveal that, destined for a career in medicine, he grew faint at the sight of blood and so sought alternative employment but when he talks about his work, he resorts to the cerebral explanation rather than the anecdotal. "Self-restraint, unaffectedness and a need for refinement are part of both my lifestyle and the Armani style," he says. "Vulgarity in life and in fashion offends me. An over-emphasis on decoration has no place either in my personal style or as creative inspiration."

Armani is ascetic in appearance, sober of demeanour, a watchful-eyed, intimidating presence. He was once renowned for his trascibily, his impatience, his reluctance to be diverted from his work. He is still a workaholic but, he confesses, he laughs more nowadays. He may not be as bad-tempered as he once was but he is more outspoken. In the field marshals' propaganda war, his arguments are more cogent, more politically correct and more likely to win hearts and minds.

He flatters the foot-soldiers. "In the past 20 years women have learned to be people not objects. They judge themselves. Nowadays a woman chooses clothes without mindlessly following fashion. She filters suggestions, adapts them to her own personality. She does not need disguises."

He savages the enemy. Interviewed last year in L'Espresso, Armani passionately criticised the unnamed but easily identified designers who, he insisted, are turning fashion into a "porno show", whose collections present "the image of woman as a receptacle for men, the incarnation of low-level sexual fantasies, the nightclub where striptease is for provincial wolves".

It is, of course, no accident that his disdainful use of the adjective "provincial" is elitist. He has said: "I believe that good taste and class are innate. They may not be innate, but they are linked." Taste, to paraphrase brutally the French sociologist, Pierre Bourdieu, is a device invented by the rich and unproductive to identify and exclude the upwardly mobile conspicuous consumer and fashion victim. Bad taste is described as vulgar. Vulgar, of course, is an adjective which originally merely meant of the masses, the common people.

I recently asked an old acquaintance who works the street markets what commodity had replaced, in the hearts of free-spending young women, the knock-off Chanel, chain-hung, quilted-leather handbag now that the market was saturated. The answer was the Versace medallion-bag. Versace, he said, was the ultimate object of desire among fashion-hungry checkout girls, receptionists and secretaries.

Versace is the designer by appointment to the rock star and "loadsamoney" sets. Joan Collins, Elton John, Trudi Styler, Madonna, Ivana Trump, Bruce Springsteen, Prince, David Bowie, Elizabeth Taylor and, of course, Elizabeth Hurley all wear Versace. The clothes for both men and women are about raunchy, upfront, cleavage-popping, pelvis-grinding sex.

Jodie Foster: Film star and intelligent dresser

B. King/Liaison



Armani: cool catwalk style for understated tastes

Neil McInerney

According to Versace – a charming, diffident (though not as shy as he once was) man – these clothes "liberate women". To choose to wear Versace, he says, is to prove you are modern, free-thinking, fearless, uncowed by convention.

The designer says: "I don't believe in good taste. I don't believe in bad taste. I believe in quality and fun, in things that make our lives happier."

Beyond tight and revealing, the Versace style is also highly decorated. A southern Italian, he absorbed his Greco-Roman aesthetic heritage with his mother's milk. He was later to become enraptured by the Renaissance's elaborations on it. His prints, the scarves and scarf-print shirts, and porcelain collections are lushly coloured homages to archaeology and art history. They are so beautiful that taste does not

enter into the equation.

There is also the matter of skill. Lisa Armstrong of Vogue has argued that it may be sleazy but at least he does it superlatively. And, she adds, his simple clothes, the little black dress, the tailored cashmere jacket, are more flattering than anyone else's. But in the style wars, that does not count much.

Fashion plays fortune's favourites so, throughout history, a personality, an idea (be it Christianity, capitalism, female emancipation or rock rhythm) or a universal mood swing has been able to shift style its way. But its opposite has always been there, its insuperable, warring twin, without which there is no tension, no internal critique and no fun-in-disapproval.

Brenda Polan is fashion director of *You Magazine*, *The Mail on Sunday*.



Ivana Trump dressed for success after success in Versace

Neil McInerney



Gianni Versace: 'I believe in things that make our lives happier.'



Elizabeth Taylor grabbed the headlines in her Versace

Neil McInerney



Rock-star wife style: Sting's wife Trudi Styler in Versace

A. Vignola/Ansa

BOOKS

An Iliad for our age

A.N. Wilson on the enduring impact and insights of Tolstoy's great novel

The current pointless carnage in Chechnya, whose spirited Moslem mountaineers are so sympathetically evoked in Tolstoy's early stories, reminds us of the vast, peasant-simple questions which the greatest Russian literary giant of the 19th century poses in his writings.

What causes war? The caprice of the gods, according to Homer. As Tolstoy so cogently insisted in the epilogues to *War and Peace*, once you have discarded this catch-all explanation, no post-Enlightenment theory of historical causation, no system of economics, no proto-fascist notion of heroes or the ambition of great men can fathom the mystery.

Certainly, the impotence of peace initiatives at the moment in various parts of the world, the cross arrangement of foreign politicians thinking they can "solve" the conflicts of Bosnians or Palestinians, sends us back to Tolstoy - not so much the furious septuagenarian pacifist pamphleteer who wrote *The Kingdom of God is Within You* as the great novelist who at the height of his powers hacked five years out of a tempestuous life to write *War and Peace*.

I never met anyone who had actually lived through a war who derived any comfort from reading historians or philosophers, but several ex-servicemen have told me that they read Tolstoy and Homer in the thick of battle - two comparable writers with similarly anti-rational views of what is taking place when the human race turns aside from its peaceful occasions - procreation, friendship, the manufacture of artifacts, the cultivation of crops - and devotes itself to wholesale murder.

"Why did millions of people kill one another?" Tolstoy asks. "When it has been known since the world began that it is physically and morally bad to do it? Because it was such an inevitable necessity that in doing it, men fulfilled the elemental zoological laws which bees fulfil when they kill one another in the autumn and which causes male animals to destroy one another. One can find no other reply to that terrible question."

When in the midst of war, the chief human concerns are practical: how to survive this night of shelling, or that month, that year, of life in a besieged town. Concepts of victory and glory might sound fine on the lips of demagogues, but when it is over, war can be seen to have created no more than the sum of thousands of individual torments and sorrows, and the best that can be said is that it is over. Prince Andrew's words after Austerlitz in *War and Peace* - "We lost because we told ourselves we lost" - provide just one example among hundreds of what Tolstoy was up to in his masterpiece.

We fail to understand what an act of artistic self-negation was involved by this most opinionated of writers unless we recognise the agenda of *War and Peace*, spelt out in the numerous asides, and in the epilogues, about the nature of history. Tolstoy is often accused of not understanding his own talents, or of wilfully destroying his own "art". It would be truer to see the historiographical asides and the formless gossip flow of the book as all of a piece. He was attempting to provide a



WAR AND PEACE

Fact and fiction



Tolstoy: Homeric gravitas

Homeric blankness; in the words of the John Cowper Powys, "no philosophy - not even the philosophy of having no philosophy".

The formlessness, the cinematic details of *War and Peace* are what make us all remember this book as something almost more "real" than our own lives - the excitement of Natasha at her first ball, the pride, turning to panic, of Nicholas Rostov when he first goes into battle; the drunkenness of Pierre at the debauch. Though Tolstoy was right, in a sense, to say that *War and Peace* was not a novel, he was able to use the unashamedly trivial conventions of fiction to illuminate, on every page, the significant mystery of human beings, by virtue of their moral responses to existence, transcending the impersonal forces which lead to cataclysms such as Austerlitz or Borodino or the burning of Moscow. "There are two sides to the life of every man, his individual life which is the more free, the more abundant its interests, and his elemental swarm-life in which he inevitably obeys laws laid down to him."

Unlike the great 19th century historical theorists - Carlyle or Hegel - Tolstoy deliberately cuts the "great men" down to size. "Power is the collective will of the people transferred, by expressed or tacit consent, to their chosen rulers". It sounds almost Marxian, but, unlike Marx, Tolstoy does not believe that the inexorable march

of events renders individual experience insignificant. In fact, the precise opposite.

His Napoleon, therefore, has no more idea of what is going on at Borodino than the foot-soldier; but a common peasant taken prisoner by Napoleon alongside Pierre has a deeper understanding of life than any of Pierre's clever friends. Napoleon's belief in his own genius is ridiculed. The hideous war in which he and hundreds of thousands of others are caught up is portrayed as "swarm-life". The distinctive and significant life of a human being is found not in pretension to power but to an attentiveness to what eye and heart tell us. "During the whole of that period, Napoleon, who seems to us to have been the leader of all those movements - as the figurehead of a ship may seem to a savage to guide the vessel - acted like a child who holding a couple of strings inside a carriage, thinks he is driving it."

The book starts at a party. The war is a thing to be gossiped about amid the glitter of crystal wine glasses, the brightness of sashes, uniforms and gowns. We might be tempted to suppose that the "real" story will only begin when we are introduced to the "important" characters - the generals, the dictators, the emperors who believe themselves to be controlling events.

We do not have to read far, however, before we divine that no one is controlling events, that no character is more important than another and that the "artlessness" of scene following scene is the whole point of the book. There is no immortal "cloud-gatherer" plotting mortal destinies in this epic; God, if found, is "within us".

An entirely Tolstoyan episode is the scene when Natasha Rostova goes to her mother's bedroom to chatter and giggle about the boys she is half in love with. It is the night before she goes to the ball where she is to meet, and fall seriously for, Prince Andrew. It is the tenderness of the exchange between the two women, and its humour which are so memorable - its conveyed sense of a happy family simply huddling along. This is so much more successful than the frankly tedious moments when Pierre is thrashing out his ideas, and which oddly enough have so little to do with the main action. Tolstoy has a magnificent generosity as an artist in allowing characters simply to be themselves - and we see them in so many ordinary situations, playing cards, kissing a lover, hunting, borrowing money. This is where life - life which raises us above the swarm - is experienced. This is "peace".

In the decade after the book appeared, Tolstoy notoriously suffered an emotional collapse, followed by his "conversion". The latter half of his life was devoted to explicit exposition of his views - vegetarianism, anti-Shakespeareanism; sew-your-own-folk books and passive resistance. In much of this urgently sincere attempt to discover the best way to live, there was heroism - not least when he risked his own liberty for defending eccentrics. But the pacifist tracts of these years are less powerful than the "art" which he came to despise and which, in *War and Peace*, reaches a simplicity and gravitas unknown in Western literature outside the pages of *The Iliad*.



Another face of conflict: children crouched in a slit trench in Kent watch an aerial dogfight raging over what became known as "Hellfire Corner" - picture from "We'll Meet Again: A Personal and Social History of World War Two" with text by Vera Lynn (Stoddard & Jackson £9.99, 192 pages)

I always hoped I would meet Kim Philby. Like most aspiring young hacks in the early 1980s, I believed in secret histories. I dreamt of the phone call in some lonely Stalin era hotel, the midnight rendezvous on a Moscow street corner, and the familiar figure flanked by faceless KGB hoods stepping forward, shaking hands and telling me in his famous nervous stutter that he had decided, at last, to tell the whole truth...

I even wrote to him in 1984, cheekily, care of the KGB, Dzerzhinsky Square, and asked for an interview. I never got a reply. Instead I took a flight to the other side of the world and met another old survivor from the 1930s on the same theme. He told me how he spent his life chasing Philby and his ilk, looking for the spoor that had metastasized throughout the Establishment until in the end it drove him nearly mad.

Later, after *Spycatcher* was published, I visited Peter Wright once again in Tasmania. He went to his bookshelves and pulled out a thick, dusty red volume and gave it to me. It was *A History of Labour* by Gilbert Stone, sometime secretary to the Coal Industry Commission and deputy head of production at the coal mines department.

I turned to the flyleaf and there in an instantly recognisable fine hand was the inscription: "H R Philby. Trinity"

Wright explained that Philby had given the volume to Anthony Blunt at their last meeting in Beirut in 1963, just before he defected to Moscow. And Blunt had in turn given the book to Wright at their last meeting in 1972, at the conclusion of his MIS career. And now Wright wanted me to have it, perhaps realising that this too would be the last time we would meet. He told me Blunt had been given the book by Philby as a reminder of the philosophy that had guided them all those long years undercover.

The book was full of cant about the masses, and their guiding scientific principles - a kind of sub-Marxian James Michener novel without any characters.

Maybe I had had more than my bellyful of Philby, Burgess and

The old spy kept his cloak on to the last

Paul Greengrass on the trail of Kim Philby



Kim Philby: he remains as elusive as on that rain-swept night when he took his one-way ticket to Moscow

Maclean. Or maybe I was too much an opportunist to be guided by any principles, scientific, political or otherwise. But somewhere over east Asia I realised what any woman could have told me - and had - that none of this spying business mattered any more. I knew then I would never get that interview with Philby.

Shortly afterwards the old rogue died and the Berlin Wall came down. Spy books have never been the same since. There have been good ones of course, even important ones, and, as ever, trashy ones by the publisher's list. But they have never sold as well. Somehow the heat has gone out of the subject. But now we have, at long last, the scoop all spy hacks, myself included, wanted all those years: Philby's last will and testament, a series of interviews conducted by Genrikh Borovik at the old spy's comfortably appointed dacha in the three years before his death.

Borovik, a respected and independent minded Russian journalist of the old school, amassed 500 pages of transcripts of his conversations with Philby and has interwoven

them with excerpts from Philby's KGB file and novelistic recreations of key incidents in his career.

It makes for an interesting, if somewhat uneven, read, shot through with reminiscence and regret. But for all the claims ex-sight journalist Philip Knightley

THE PHILBY FILES
by Genrikh Borovik
Little Brown £18.99, 352 pages

(himself the only Western journalist to pass Philby's door) makes in his introduction, it is not a book to match with the classics of the genre: his own *Philby - The Spy who Betrayed a Generation*, or Philby's *My Silent War*, with its ironic, mocking detachment, or the broad sympathetic canvas of Andrew Boyle's *Climate of Treason*. These were books that changed the way we looked at spies and spying, and made their activities seem contemporary and relevant. Here we cover familiar ground, with only occasional flashes of revelation to catch our interest.

The book is dense with detail,

especially from the files, of the early years. An idealistic Philby emerges - refusing money, diligent, eager to create a career in espionage. There are moments of fascinating detail - young Philby spying on his domineering father, the noted Arabist adventurer St John Philby, against whom Kim struggled all his life in a painful love-hate relationship.

But in the end Philby was never a man for self-analysis, or the psychiatrist's chair. And so Borovik, even after hundreds of hours of conversation, is left with the same enigma faced by previous authors. The man remains as elusive as he was that rain-swept night he took his one-way ticket to Moscow.

Graham Greene is, not surprisingly, the only writer to have penetrated the shield, describing him once memorably as having the chilling certainty of a Catholic who, in the reign of Elizabeth, works for the victory of Spain and then endures the long days of Inquisition, believing implacably that although today brings Torquemada, tomorrow there will be a John XXIII.

The principal interest here for spy

buffs is the extent to which Philby, it now emerges, was mistrusted by the KGB during the war. This is genuinely new information - and hilarious too. Moscow became so alarmed at the sight of Philby, Burgess, Maclean, Blunt *et al* handing over suitcases of secret documents to their KGB controller in London that they concluded the whole operation was a fiendish British intelligence ploy and even recommended cutting off contact with the most successful spy ring in history.

But the KGB files - fascinating though they are - diminish and disappear once Borovik's narrative reaches 1946. Thus the latter half of the book is less successful.

Philby's account of the defection of Burgess and Maclean is partial. Borovik leans towards concluding that the whole affair was a colossal KGB cock-up, but shrinks from the fundamental conclusion that, in the end, protecting Maclean, who had handed over the Holy Grail of post-war espionage - the secrets of the nuclear bomb - was always more important to the Soviets than protecting Philby. Perhaps that was why, when he finally got to Moscow, he stole Maclean's wife.

Similarly, the account of Philby's career after his dismissal from MI6 in 1951 is also thin. Borovik tries to drum up interest in his Beirut interlude, and waxes lyrical about his homecoming to Moscow. But the truth is his work as an active spy ended long before his defection in 1963 and the last 25 years of his life were spent in alternate periods of drunken depression and a pleasurable idle existence as a KGB museum piece, making speeches and cultivating the mythology that had grown up around his name.

But these are quibbles. I take my hat off to Borovik and Knightley. They succeeded where the rest of us failed. They got to meet the old fraud himself, shake his hand, hear his stutter. And I will put their book up on the shelf next to Philby's own Gilbert Stone - that is the Gilbert Stone who did not rise to become the greatest spy the world has ever seen, but got to be a minor functionary with the Coal Board instead.

In his book Stone wrote "I am no believer in a suddenly achieved Utopia: I see little in history that suggests that short cuts are the best roads to travel by; I see little gain in sharp upheavals. In the future, as in the past, it will be character and worth which will secure us sound advantages."

Maybe Kim the Cambridge undergraduate skipped that passage. Or maybe he was just busy meeting his controller for the first time.

Witness to the fate of the Jews

Jan Karski was a courier for the wartime Polish underground who brought the free world confirmation of the Holocaust.

The story of his reception illuminates a squalid corner of Allied conduct during the war.

Karski's promising diplomatic career was cut short by war service. When the Polish army collapsed he fled to Russian-occupied eastern Poland where he was interned. He was then shipped deep inside the Soviet Union and would have been murdered, like most Polish officers, had he not concealed his rank and bluffed his way into a shipment of ethnic German Poles repatriated to western Poland.

Once home he joined the resistance.

KARSKI: HOW ONE MAN TRIED TO STOP THE HOLOCAUST

by E. Thomas Wood and Stanislaw M. Japkowski
John Wiley New York \$24.95

Karski's mnemonic and diplomatic gifts made him an ideal courier. After circulating around Nazi-occupied Poland, in January 1940 he travelled secretly to report to the Polish government-in-exile. His account included descriptions of local attitudes towards the Jews, an issue that still divides Jews from Christian Poles.

Wood and Jankowski have not written a hagiography, but they present Karski in a favourable light. His report exposed the glee Christian Poles felt towards Jewish suffering, but it also repeated the canard that Jews in eastern Poland had welcomed, and profited from, the Soviet occupation. In fact, Jews greeted the Soviets only because they were preferable to the Nazis. Before long the communists made Jewish life miserable.

This touching-up of Karski's record derogates from later accomplishments. Yet he transcended minor prejudices and attained a lucidity that eluded most Poles.

In the summer of 1940 Karski was betrayed to the Gestapo. Savagely beaten, he attempted suicide, fearing that he would break under torture. Salvation came from the underground which freed him, but at a terrible cost.

For his third mission he was told

to include information on the Jewish plight, so he toured the Warsaw ghetto and was smuggled into a camp holding Jews destined for gassing at Belzec. Shattered by these encounters, he gladly carried Jewish pleas for Allied action to stop the slaughter.

Despite the sensational title of the book, by the time he reached London in November 1942, the Allies had received decisive information from Jewish sources about the genocide. But Karski was not a Jew and his electrifying reports propelled the ambivalent Polish exile regime into demanding a response.

Nevertheless, foreign office officials suspected the Poles of exploiting the news. Eden dismissed Karski's suggestions for concrete measures, while Lord Selbourne, head of SOE, compared his report to first world war atrocity propaganda. Jewish leaders in Britain and America were also sceptical. Felix Frankfurter, a US Supreme Court judge, told Karski bluntly, "I am unable to believe you".

Karski's greatest success was a long interview with Roosevelt which may have spurred the President towards the creation of the War Relocation Authority, which eventually helped thousands of Jews.

Mostly, Karski was a prisoner of the government-in-exile, manipulated according to its desperate efforts to stave off Stalin's territorial demands. Indeed, much of Wood and Jankowski's narrative concerns Karski's role in this diplomatic struggle. Activism on behalf of the Jews was really incidental to his work.

When the war ended, Karski was a prosperous exile in New York. He wrote a best-seller based on his experiences, but his fame paled as quickly as interest in the fate of the Jews. He enjoyed a brief revival as an anti-communist serving the State Department and the CIA - a period which the authors skate over suspiciously. The disillusioned hero resigned himself to silence.

There is a bitter-sweetness about the fame that has come to him since he was "discovered" by Elie Wiesel and Claude Lanzmann, who used Karski for his film *Shoah*. Huge audiences now pack halls to hear him speak, but 50 years ago few heeded his message.

David Cesarani

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John Osborne (left) with Kenneth Haigh, the original Jimmy Porter in 'Look Back in Anger', outside the Royal Court in 1956

Farewell to a passionate man

John Osborne, who died last week, always aroused fierce emotions. International director William Gaskill recalls his own personal and professional encounters with the controversial playwright

I first met John Osborne in 1956 when I was an unknown, out of work director and *Look Back in Anger* had not yet been produced. Tony Richardson, the play's first director, had given me the text to read and I was bowled over by the passion and virility of the writing. Soon after, Tony invited me to his flat to have dinner with Osborne. I suppose I had imagined a shaggy, haired, open-necked intellectual. John arrived in blazer and bow tie, very neat, a bit flash and accompanied by his flat mate - or rather his boat mate - Tony Creighton, who was diminutive and prissy and wore a kilt. Creighton had co-authored John's early play *Epilepsy* for George Dillon. It emerged that Osborne and Creighton were vegetarians. Were they also gay or queer, as we said then? Richardson and I whispered speculatively to each other in the kitchen. We never found out - John's

distastes against homosexuals in later years were as virulent as his attacks on women, Australians, Americans and critics. John wrote as he spoke and could, if he wanted, speak as well as he wrote. Even then the passion would surface beneath the laid back theatrical drawl, with its mocking nasal twang and it was the immediacy of his feelings and his ability to communicate them so directly to his own generation that were to characterise his work at the Royal Court. It wasn't until the end of 1957 that I went to work at the Court as assistant to the director George Devine. *Look Back in Anger* had been followed by the huge success of *The Entertainer* and both had opened on Broadway. Osborne and Richardson were in New York, which is probably why Devine asked me to direct *Epilepsy* for George Dillon, with Robert Stephens in his first leading part. It is a

conventional three act play about an out of work actor-writer and his impact on the suburban household where he lodges. But there is a remarkable scene between Dillon - a first sketch for Jimmy Porter - and the Communist intellectual aunt in the house (the only time John wrote a give-and-take scene between a man and a woman). The play did well at the Court, transferred to the West End for a short run and then went to Broadway. During the rehearsals for the Broadway opening John was very much in evidence. He had become an eccentric figure who, like a Medici prince, went everywhere with his entourage - his mistress, Francine Robert Webber, the actor, as a bodyguard; and his black tailor, Arthur Maguy. He would go in a group to the talent night at the Apollo Theatre in Harlem and to hear Sarah Vaughan. We laughed a lot at the excesses of the Broadway scene, while loving

every minute of it. Osborne and I never quarrelled but I never worked with him again. He did ask me to direct his satirical musical *The World of Paul Slickey*, about the world of gossip columnists, but I managed to get out of it and he ended up directing it himself. (On the disastrous first night, he was obliged to flee the theatre and was pursued along Charing Cross Road by disapproving members of the audience.) When I took over the Royal Court in 1965 we put on three of his plays - *Time Present*, *The Hotel in Amsterdam* and *West of Suez* - all directed by Antony Page. But they failed to strike the same response in audiences as his earlier works. George Devine had died and some of Osborne's talent seemed to die with him. He was a passionate man who let his life and his writing be governed by his feelings. When it worked it was thrilling; when it didn't it was very sad.

When democracy called the tune

Andrew Clark reviews a troubled musical year in Europe

It was the year when politics counted more than music. To survive the financial squeeze, to push through reform, or just to maintain the status quo, Europe's musical movers and shakers needed friends in high places more than ever before. In France, a sympathetic centre-right government was the *sine qua non* for Hugues Gall to adopt strong-arm tactics against Myung-whun Chung, as he began pushing out the old Bagelle regime and laying down the law. Gall will be a dishevelled mess of political style in coming months, but he is to cut through the Paris Opera's backstabbing, unloved culture and give it a clean start next season.

At Aix-en-Provence, the very absence of political clout left one of Europe's long-established festivals struggling to survive. Mounting debts and

declining artistic appeal - together with the French government's evident lack of sympathy - have knocked Aix out of the premier league of summer festivals. The situation was little different in Germany, where cultural shrinkage has become a fact of life. In Berlin, the Staatsoper's political connections, rather than artistic quality or good housekeeping, gave it the edge over the Deutsche Oper in their cut-throat battle for public funds. The Deutsche Oper's intendant, Götz Friedrich, bashed his books and produced solid artistic results. At the Staatsoper, Daniel Barenboim's ambitious programme led to a huge overspend. But thanks to Barenboim's political influence, his company emerged at year-end with an increased subsidy for 1995 - leaving the Deutsche Oper with less.

At Salzburg, Gérard Mortier scraped together enough support within the Austrian establishment to carry his festival reforms forward into 1995 - despite an antagonistic Viennese press. Buoyed by healthy box-office returns at the 1994 festival, the board of directors approved Mortier's commercially-risky plans for a bigger slice of 20th century music next summer. Their decision set the seal on Mortier's campaign for a livelier, more contemporary festival. He now seems certain to stay beyond 1997, when his current contract expires.

Elsewhere in German-speaking Europe, musical life suffered where political will faltered. The city fathers in Bonn cancelled the triennial Beethoven Festival, robbing the composer's birthplace of its only musical event of international scale. In Frankfurt, the fractious governing coalition advocated self-help, leaving the arts in a permanent state of crisis. Basle persisted with its drastic scaling-down of cultural subsidy, undermining morale and vitality. And the Swiss government ended the year by slashing its contribution to the national cultural foundation, Pro Helvetia. "Never has democracy been so hostile to the arts," said a senior German orchestra manager last month.

Amid the gloom, there were nuggets of comfort. Let us start with Sylvain Cambreling, who resisted the temptation to leave Frankfurt in disgust, and instead conducted much-praised performances of *Pelléas* and *Don Giovanni*. Matthias Bamert took some calculated risks at the Lucerne Festival, and widened its appeal. Thanks to Alfred Wop-

mann's canny stewardship these past ten years, the Breznev Festival stood out as an example of how to mix art and commerce. Claudio Abbado brought his programme-making skills to the Berlin Philharmonic and to Salzburg at Easter. And the Prague State Opera sought inspiration in adversity, pulling off revivals of forgotten works by Hans Krása and Gottfried von Sinen. The biggest loser in 1994 was the Vienna Philharmonic, which found itself marginalised at Salzburg and criticised on foreign tours - partly because of its uninspiring choice of star conductors. The other prominent loser was Myung-whun Chung: it will be interesting to see what value his record company places on him without his prestigious Bastille perch.

And now for some awards, based on a personal end-of-year glance across musical Europe. Conductor of the year is Nikolaus Harnoncourt, whose blazing Beethoven cycle with the Chamber Orchestra of Europe set the 1994 Salzburg Festival on fire. Orchestra of the year is the Oslo Philharmonic, for refusing to bow to the cynicism and complacency widespread in the profession. Composer of the year: 91-year old Berthold



A high spot: Francesca Zambello's production of 'Billy Budd' in Geneva, which comes to Covent Garden in May

Goldschmidt, who lived to enjoy his rehabilitation in Germany at this year's Berlin Festival. The most memorable instrumental performance was Miklós Perényi's account of the Haydn D major cello concerto at Salzburg in August - a

matchless display of old-world musicianship, entirely at the service of the composer. The most satisfying opera production I saw was *Billy Budd* at Geneva, conducted by Roderick Brydon and staged by Francesca Zambello: what a

plenty the same cast and conductor cannot accompany the production to Covent Garden in May. The outstanding individual performance was Robert Tear's Vere. The most promising young singers were Andrea Rost (Gilda in the Muti *Rigo-*

letto at La Scala), René Pape (Fasolt at Bayreuth) and Gwynne Geyer, the American soprano who has been singing Mafkenka and Mimì in Geneva over the past six weeks. Flop of the year was the new Bayreuth Ring.

Culture and the embarrassment factor

Lynn MacRitchie, in her round-up of 1994 exhibitions, describes the reviewers' secret nightmare

In Paris earlier this month, I came upon a shop displaying dresses, coats and suits by the great couturiers, not new but from the earlier decades of this fast disappearing century. There were the unfortunate lengths and experimental fabrics of the 1970s, the shorter look of the '60s, daring then but almost frumpy now, the stacked beehive shoes with square toes. But that coat - pure Dior New Look, tiny waist, huge cuffs, full skirt, jolly red buttons on its green and tan tweed: how right it seemed, how perfectly now, the curious mystery of "the look" repeating itself some 50 years on.

The fascination of these garments, the almost physical pleasure the sight of the "right" ones gave, was to me just like the effect of looking at contemporary art. Both offer the high of the perfect moment, apportioned in the flick, the shoe, the object, the installation, so exemplary of its time that no argument is possible, only the blisful surrender of recognition. And, as with fashion, that shining

moment can very soon transform into the epitome of embarrassment. Herein lies the secret terror of the new in art, the fear that those of us who dare to like the work of today will look very silly when now turns to yesterday. Several of the best exhibitions abroad this year have taken work at this most embarrassing stage and boldly set it forth.

I found that Bruce Nauman in Madrid, the Reina Sofia the only European stop in his retrospective, passed the test well. Nauman, American hero of conceptual art, had to weather some sticky moments. Constantly developing technology means that elderly video tapes, shining examples of experiment in their 1960s heyday, now seem blurry and curious in black and white. But the seeds of this tough humanist's newest and strongest works, concerned with the varieties of trivial cruelty we daily inflict on each other, were clearly present in these early tapes, simple-seeming explorations of the body and its limitations. There are some who wish that Joseph Beuys might be discovered to have feet wrapped not in his famous felt

or fat but clay. I am not one of them, but, a true devotee, sometime wake in terror that, as time goes by, his work will crumble before me, the vitrines seem empty, the installations a jumble of old rubbish. The European touring exhibition which finished at the Centre

Much hype doth not an artwork make, although it can certainly draw a crowd

Pompidou in Paris this October, though coldly executed, did not have this dreaded effect. The installations were magisterial, the vitrines full of allusion and melancholy. The warmth and humour, so winning in the man, survive in little gleams on film and video. At home, as in fashion, there were themes and variations, and the best things were sometimes found in more out of the way places. The Tate Liverpool had a good year. While Picasso lorded it in London this spring, up north they showed US video

artist Gary Hill and Anthony Gormley's "Field". While Gormley won the Turner Prize, work by Hill - the best by far of the generation of video artists now receiving belated recognition - was not purchased by the Patrons of New Art, who chose the pedestrian "Nantes Triptych", by fellow American Bill Viola, so huge but so dull, for their grand video purchase (showing in London until from now to February).

Chocolate was big, a whole roomful of it smeared on the walls of Karsten Schubert's London gallery by Anya Gallaccio to melancholy effect the walls half coloured, streaky brown, recalling school corridors, the fading odour like time gone stale. Helen Chadwick made a fountain of it in the summer heat at the Serpentine. It bubbled, and stank, but failed to impress. The plain, thin spike from which the brown liquid oozed was just not tall or powerful enough, its flow too gentle, the container beneath, painted a pale municipal blue (prone to unfortunate splashing when the bubbles burst), more a kiddies paddling pool than a Freudian ooze. Much hype (the Chadwick

show had some hysterical media coverage) doth not an artwork make, although it can certainly draw a crowd, as the Serpentine again discovered when hundreds had to be kept queuing outside during the run of Damien Hirst's selection *Some went mad, some ran away*, even before someone poured black ink into the tank with the sheep. But Hirst is a serious artist, despite the wide boy image, and the show was impressive in parts, most of all in its air of fin de siècle melancholy, so many of its participants preoccupied with death, decay and degradation.

Back in Paris, the year closed at the Pompidou with *Hors Limites* (running until the end of January) where a range of international artists show the kind of work which has led to the strange dilemma contemporary art now faces. Beginning in 1982 and continuing to the present, the show traces the development of work by artists determined to break down the barriers between art and life. In the earlier years, when tireless jokers like Yves Klein used naked girls smeared in blue paint as brushes and the new performance art explored the boundaries of improvisa-

tion and chance, there was a belief that freedom of artistic expression could somehow bring about the social and political freedom of the individual. This did not happen. Instead, artists turned in on themselves, leading to extremes of body art such as the self mutilations of Gina Pane and others in the 1970 which mutated into today's blank faced exhibition of narcissistic sexual ritual (the torture tables and self abuse of Matthew Barney to take one example).

The avant garde of the 1960s, filmed at their dirty deeds, wore suits and ties. Klein, heaving naked girls, was particularly dapper - (and I had been in the audience, would have been wearing that full skirted coat). As for today's society, the young know that we are what we buy. Mike Kelley and others roamed the depths of America's consumer culture, filling the gallery with dirty discarded clothes, toys and general junk, the detritus of the limitless "choice" which has brought so little satisfaction.

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ARTS

The battle for history

Antony Thorncroft discusses the changing strategies of war museums

It is extremely unlikely that the Imperial War Museum in south London will ever change its name to the European Peace Museum. Its director Alan Borg thinks that any pejorative element in its title has long been accepted as a quick of history. No one visiting the museum could think for one moment that it glorifies war or colonial conquest. Its theme is the history of warfare: if anything it is likely to make pacifists of us all.

But the current museum is not quite what its creators anticipated when the old Bedlam lunatic asylum was converted after the first world war into a memorial to its veterans and as an example to their children. Then there was a more heroic, patriotic theme. Now Borg is keen to play up the wider ramifications of nations at war.

The two most successful exhibitions held there recently, on "Forces Sweethearts" and the "War-time Kitchen and Garden", illustrate this greater concern with the social history of wartime. It also helps the museum to widen its appeal - attendances have risen steadily to nearly 500,000 a year.

In the future the IWM is set to become even more sensitive to changing attitudes. Its permanent displays will feature recent events more prominently - the comparatively bloodless strategies of the cold war, and the activities of United Nations peacekeepers. Borg is also about to launch a multi-million appeal for funds to convert part of the IWM into something very close to a Holocaust museum.

These have become very popular in recent years, with an impressive museum just opened in Washington. Borg's project will not concentrate exclusively on the experiences of the Jews. It will look at all victims of conflict. It draws some inspiration from the successful Museum of Tolerance at Los Angeles.

Of course traditional military museums, full of uniforms, and weapons, and paintings of battles, will continue. The National Army Museum in Chelsea, with enough red coats on display to stain the blood of any retired Cheltenham colonel; regimental museums litter the land; the Royal Armouries has succeeded in persuading commercial backers to join the government in helping to fund a large new museum in Leeds to supplement its display at the Tower of London. The de-commissioning of barracks and naval bases throughout the UK following defence budget cuts should free historic buildings that heritage entrepreneurs will see as ideal homes for yet more museums dedicated to military life.

But basically these will be repositories of objects, many harking back to distant conflicts in far-off centuries. War museums telling the history of war, like the IWM, are very rare and are already outnumbered by museums of peace. There is a case to argue that more resources should be devoted to keeping alive poignant reminders of officially sanctioned death.

This popular embarrassment about war is affecting the commemorations surrounding the 50th anniversary of the second world war. The British government gave itself a bloody nose with its crass attempt to celebrate the 50th anniversary of the D Day Landings last year with parties; the veterans, marshalled by Dame Vera Lynn, wanted, and eventually got, a more sober tribute, based around the personal memories of the participants.

The government has given the department of National Heritage a modest £5m to spend on VE and VJ Day memorials but they are unlikely to be too triumphalist. Significantly the IWM is also adopting a low key approach to remembering the end of the second world war. Its exhibitions concentrate on minor themes, like the German occupation of the Channel Islands, London at war, and the war in the Far East.

With the main participants - the UK, the US, Germany and Russia - indecisive about how to react to this major anniversary it has been left to Belgium to mount the most comprehensive exhibition ever devoted to the second world war. If you would like to see the piece of paper Chamberlain waved after Munich; Hitler's death mask; Stalin's hand gun; Hitler's personal world map and order to invade Poland; Monty's uniform, and more, so much more, you must visit the Museum of the Army in Brussels before May 14.

Called "I was 20 in '45" it attempts to popularise the war without cheapening it; presenting it as a thrilling story to the generations with no wartime memories while respecting the more sombre feelings of the participants, both active and passive. In fact it achieves at a gallop what hundreds of military museums offer in a reserved and restricted manner - to consign the war to history, but history with a heart.

Perhaps it is now time to look objectively at the conflict. Very few people can observe the battlefield at Agincourt and feel little but excitement at David defeating Goliath. Waterloo, too, is given over to military historians and battlefield touring groups, with minimal identification with the suffering endured. The Somme and Passchendaele are losing something of their message for our times as personal survivors dwindle. The second world war, because it was less pointless, and less bloody, than the first, is fast becoming an unemotional issue.

The Brussels exhibition helps this process along. It might be thought that Belgium, always at the epicentre of European warfare, is in the best position to see things objectively. This is a vain, indeed an unwarranted, expectation: there can be few wars in which the villain is more blatant. But, as in many mili-



Populist social history and glimpses of hell

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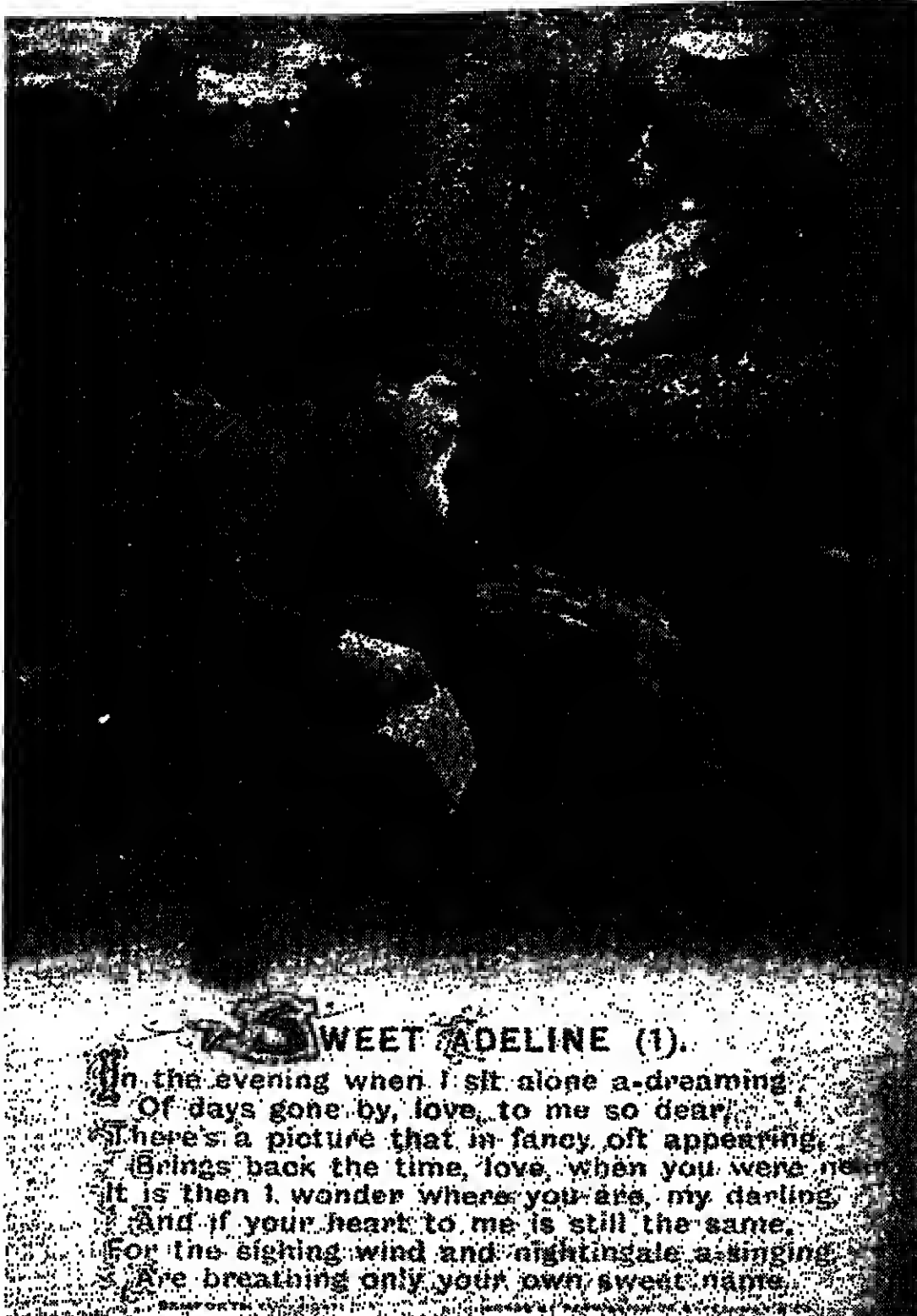
tary museums based on objects, it still remains difficult to find the horror in documents like the Russo-German pact, or Boris Yeltsin's written confirmation that the Russians perpetrated the Katyn massacre. The documents and artifacts of war too often look bureaucratic, although the memorabilia of the Holocaust, in photographs and artifacts, like gold teeth torn from the Jews, will always freeze the soul.

Where the exhibition scores is in its unexpected tableaux. You move through a chronological history, starting in 1914 and including the gun of Príncipe, the assassin of the Austrian Archduke, and then are suddenly enveloped in a recreated trench of the first world war. It is slightly misleading in being the trench occupied by sentries rather than the actual bunkers where the troops spent most of their time, but the point is made.

It is made again in other imaginative tableaux - a cabaret bar in Berlin just smashed up by Nazis; a schoolroom in Belgium raked by the invading Germans; a London Underground station where the population sheltered at night; Hitler's luxurious bunker; and, most spectacular of all, a view through a window of a devastated Berlin at the climax of the war. It is in these fabricated mock-ups that the reality of war hits home, more effectively than in the genuine relics.

What with videos and old film, broadcast speeches and uniforms, photographs and maps, extending over a two kilometre plus journey, the exhibition is relentless in its barrage of images. But it ends on a sobering note - totally white and empty space to convey the nothingness that follows an atomic blast.

"I was 20 in '45" is unashamedly populist, tugging at the emotions, but it is also historically fair, carefully non-controversial, and sometimes tedious. It manages the challenge of offering reflections to those with long enough memories and information to the young. It could well be the last comprehensive exhibition of the second world war in which visitors can identify personally with the objects. In future, war museums will be conveying history, peace museums tolerance.



A poster from the front: a poignant memento from the "Forces Sweethearts" exhibition at the Imperial War Museum

Visions of the horror of the century

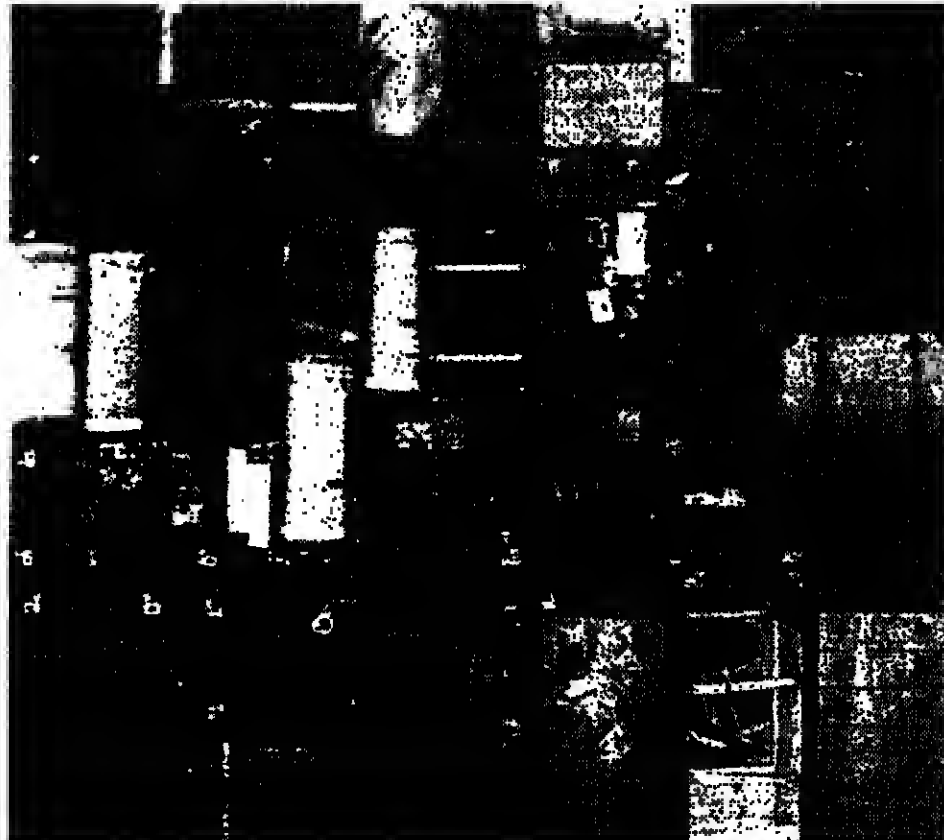
Contemporary artists feel a need to respond to the legacy of concentration camps, writes Lynn MacRitchie

last", begun in the 1970s. Music, like the two other survivors, was unable to deal directly with the subject of the camps in his work until many years had passed. In his paintings, that "face of war" recurs set stunned and staring atop sketchily suggested piles of bodies.

Kitty Klaidman, born in Czechoslovakia in 1937, now lives in Washington. Recently, she returned to the Czech village where, as a child, she was hidden in a storeroom. Her stylised monochrome paintings refer to the architecture of her hiding place, and especially to the attic, which allowed her the occasional glimpse of the outside world.

Daisy Brand, born in Czechoslovakia in 1929, now lives in Boston and worked as a professional potter for many years. As a girl of 14, she experienced seven camps in one year. Since the 1980s she has been making wall sculptures relating to her experiences, using earthenware, porcelain and other media. In the triptych "The Broken Promise" three earthenware boxes contain Torah-like scrolls made of porcelain, two of which have been unrolled to show drawings of an abstract, many-chambered interior and a railway track running into the distance.

The well-intentioned argument that only those who have direct experience of terrible historical events such as the



Reaction to Europe's "black mystery": Fabio Mauri's "Wailing Wall", 1993 from the "After Auschwitz" exhibition

Holocaust have any "right" to speak of them falls to address the need felt by many others to deal in their work with what George Steiner called "the

black mystery of what happened in Europe". In a world where nationalism wars are raging and both neo-fascism and anti-semitism have

re-emerged as political forces in Germany, the continuing struggle to understand the significance of the Holocaust has a particular urgency.

Shimon Attie, born in the US in 1957, now lives and works in Berlin, making a series called "Writing on the Wall". He projects slides of pre-war photographs of Jewish residents on to the walls of the buildings standing at the same locations today, photographing the results. Thus in "Almstadtstrasse", 1991, the figure of a religious book salesman of the 1930s peers from a crumbling doorway next to a block of modern apartments. The juxtaposition, while poetic in its poignancy, is also shocking.

The German photographer Henning Langheim, in his series "Memorials", takes black and white pictures of the sites of places of atrocity as they are today. His most recent work includes an image of the extermination camp of Maly Trostenets. The empty landscape is dotted with pieces of bodies, which on closer examination turn out to be the discarded remains of demolished statues of Soviet heroes; the liberators of yesterday, become fallen oppressors in their turn.

The exhibition's title refers to Theodor Adorno's maxim that "to write a poem after Auschwitz is barbaric". In her catalogue essay, Duchon points out that Adorno's phrase dates from 1949, "when the shock of the camps was still fresh". She suggests that artists would be "foolhardy" to ignore the moral issues raised by the relationship between culture and

barbarism. Since one of the greatest difficulties in approaching the subject of the Holocaust is to find a way of grasping a horror on a scale that defies imagining, Duchon is clear that we need to find means other than the merely documentary to help us to understand "not just with the mind but also with the heart". She suggests that "art's ability - or otherwise - to deal with the most significant event of the twentieth century can be seen as a crucial gauge of art's credentials in post-war society."

A mixed exhibition of work by artists of such varied experience and background may be

hard pressed to rise to the challenge. But the recognition that artists still feel, that they must try to understand this manifestation of the heart of darkness is a welcome acknowledgement of their place as participants in the exploration of the nature of humanity.

After Auschwitz: Responses to the Holocaust in Contemporary Art, February 26 - April 17 1995. Royal Festival Hall Galleries, London. Also *After Auschwitz - Installations at the Imperial War Museum*. Part of The Forties War and Peace season at the South Bank Centre.

Chess No 1055: 1 Bc7! Qxc7 2 Qxe6+ Ke8 3 Qg6+ Rf7(Kd7 4 Nb5+ wins Q) 4 Ne6 Qb6 5 Nxg7+ Kf8 6 Ne6+ Ke8 7 Qg8+ Rf8 8 Ng7 mate.

Just stay calm as the next fad arrives

And away with fakery and lunch! Our critics make some New Year resolutions for themselves and others

The New Year may revive old desires; it also revives old rancours. So, this year, away with all of fakery and misbegotten Swan-Lakery. Leave well alone is the message for would-be producers of "the classics".

Let swan-molestation be an indictable offence. Resolve to obey the dictum: "Petipa knew best".

And "No" to interval drinks kindly provided by managers who have found a vineyard on the outskirts of Hell for the tipple they offer.

And no, no, a million times no, to any more of Channel Four's *Tights, Camera, Action* series, which turns dance on television into an Olympic contest for the fastest switch-off. And, cunningly, manages to avoid showing talented dance-creators.

But a belligerent supportive "Yes" to the work of such bright talents as Jonathan Burrows and Mark Baldwin, who are making exciting new moves. And let everyone resolve to give support to the work of Candoco and of Wolfgang Stange, who use dance to enrich the lives and artistic potential of disabled people.

Clement Crisp

As 1995 draws high, the next fad in classical music must already be preparing to take a bow. Pavarotti started the rot

with "Nessun dorma". Ever since the Italian world cup it has been impossible to show football on television without the accompanying soundtrack of Big Lucy hitting a high B as the ball goes into the net.

Taverner's "The Protecting Veil" came next, cello and orchestra straining in religious ecstasy. Then - the music gets thinner each time - came Gorecki's Third Symphony.

The two-minute extracts on Classic FM made that sound almost appealing, but sitting through the whole symphony in the Royal Festival Hall was quite another matter. When that was followed by a band of Spanish monks singing Gregorian chant, we knew we had reached rock bottom.

The marketing department of EMI deserves a special prize for digging out that old recording and getting it into the charts. I promise to walk down Cork Street once a week and back down the other side; to do the rest of Mayfair occasionally and Motcomb Street, and Bloomsbury, and Clerkenwell, and Hackney; even to go inside

Richard Fairman

a gallery now and again, rather than hover furtively at the door, think better of it and slip away; to give video/installation/performance art another try; to cross the road to speak to the dealer/artist/fellow critic I spot on the other side; to go to more private views for the sake of the stimulating conversation they afford, the philosophical insight, the view and serious discussion of the work.

To be avoided at all costs: all the wonderfully distracting women of the art world; all offers of a drink, unless I can get a good look at the label, or it is after 12 or 6, or it fits; anything on a plate or a stick; the artist/dealer/critic spotted on the other side of the road; video/performance/installation; the telephone; lunch.

William Packer

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SPORT

They died with their football boots on

Simon Kuper says football is politics by other means

The great Dutch manager Rinus Michels once said that football was war. After El Salvador and Honduras met in three controversial matches in 1989, the tanks rolled in. But more often, countries play football as an alternative to war.

It seems that many people all over the world see life as a permanent battle for status between 200-odd nations.

But football is by far the most direct way of ranking. Recently, I spent a year travelling the world to write a book about football and politics. In Argentina, I spoke to an army general named Enciso, who recalled the night that Argentina won the World Cup in 1986. "All the country was on the streets. Radicals embraced with Peronists, Catholics with Protestants and with Jews, and all had only one flag: the flag of Argentina."

I asked if he could compare this to the Falklands War, when the crowds filled the streets of Buenos Aires again. "Exactly," said Enciso. "It was exactly the same." So much so that the World Cup song, "Vamos Argentina, Vamos a Ganar" (Go on Argentina, Go and Win) was cracked out again during the war. When Maradona's "hand-of-God" goal put the English out of the 1986 World Cup, most Argentines felt the victory was much more than a football match.

Things may change when Croatia first play Yugoslavia, but the biggest grudge match in Europe remains the Netherlands against Germany. When the Dutch beat the Germans in Hamburg, in 1988, 9m Dutchmen, or 60 per cent of the population, took to the streets to celebrate. Although it was a Tuesday night, it was the biggest public gathering since the liberation of a former resistance fighter went on TV to say: "It

feels as though we've won the war at last", and the Dutch poet Jules Deelder wrote of Marco van Basten's winning goal: "Those who fell rose cheering from their graves."

On that night the decades seemed to fall away. The Germans still wore eagles on their chests; the Dutch players wore the resistance, and the Ger-



WAR AND PEACE

Playing fields and battlefields

mans the Wehrmacht. These comparisons are absurd, but they occurred to most Dutchmen.

Vrij Nederland, a magazine that began as an underground news-sheet during the German occupation, interviewed the Dutch full-back Berry van Aerle. "In the match against Germany, you pulled the injured Voller's hair." (The Dutch have a particular dislike for the German striker Rudi Voller.) "Did I pull his hair?" "No, I patted him on the head and he got angry. I don't know why either. He reacted quite strangely; he suddenly jumped up to chase after me, but when Ronald stopped him he fell again and started rolling about. I thought that was strange behaviour."

The Germans really began to get over the war in 1951. That year, West Germany was readmitted to the World Cup.

Both the journalist and Van Aerle knew what really happened, but a resistance fighter never discusses his heroics. He hints at them, using irony.

As well as Wehrmacht against resistance, Hamburg was also a reversal of the invasion: an orange-clad Dutch army numbering tens of thousands drove its cars into Germany and defeated the inhabitants. (In the era of regular England-Scotland games, the Scots would conquer London for the day.) People in the Netherlands sang: "In 1940 they came. In 1988 we came. Holaday, Holaday."

The Ukrainians remember a similar game during the German occupation. Outside the Dynamo Stadium in Kiev there is a statue that depicts four men, all 10ft tall, who stand arm in arm gazing into the distance. They are wearing shorts so you know that they are a monument to a football match.

The Germans arranged a match against Dynamo Kiev. The spectators were all German soldiers with machine-guns, and when the Ukrainians took the lead the soldiers began to fire at their legs.

Though several players went down, Dynamo hung on to win. After the final whistle the whole team was executed. It was, in short, *Escape to Victory*, with an unhappy end. A famous Soviet film was made of the match, and the actor who played the goalkeeper looked so much the part that a club offered him a contract.

Sadly, the story is a myth concocted after the war by the local Communist Party. No doubt some kind of game did take place, for one survivor still lives in Kiev, but sensibly he remains silent.

The Germans really began to get over the war in 1951. That year, West Germany was readmitted to the World Cup.



Splitting distance: Frank Rijkaard of the Netherlands, and Rudi Voller, West Germany, prepare to join battle in the 1986 World Cup second-round match. Both were sent off

David Caron

and won it. Friederich Christian Delius, a pastor's son and author of the autobiographical novel, *The Sunday I won the World Cup*, says: "The time of defeat was past; from now on victory was the aim."

Many of the players had fought in the war or been taken prisoner, as Delius writes: "Never again would a German team be so representative of the nation."

As the journalist Brian Glanville has noted, the former England manager Bobby Robson was obsessed with the world wars. But this did not give him an overriding desire to beat the Germans (even though England fans like to sing, "Two world wars and one world cup, doo-dah, doo-dah!" at German supporters).

Rather, the first and second

world wars shaped the way Robson picked his players. He told Pete Davies, author of *All Played Out*, about his captain Bryan Robson: "You could put him in any trench and know he'd be the first over the top."

Christ, if I put my head up there it might get shot off. He'd say: "C'mon, over the top." Robson may have had in mind the first world war officers who would start a "push" by kicking a football out of the trench and chasing after it.

Robson is typical of British managers. People talking about football tend to draw their metaphors from one of two fields: art or war.

Brazilian football has "the rhythm of samba", and the British have "fighting spirit". British managers almost

always compare football to war, and the players they favour are like soldiers: fearless, hardworking men who never question their superiors. As Robson said, when he was reluctant to play the prodigy Paul Gascoigne: "You have to be utterly reliable." Soldiers are reliable, artists are not.

I realised just how much war can seem like football when I met another, more senior, Argentine general, whom I shall call Sanchez. We were sitting in the building of the Supreme Council of the Argentine Armed Forces, the highest military organ in Argentina, and the setting was comic-book South America. The building is shrouded by palm trees, guarded by soldiers with machine-guns and moustaches.

Sanchez is a tall, thin man

with a military moustache (no surprise there) who looks like Enoch Powell. He had primed himself for our meeting: he was carrying two files, one containing his incidental writings on football, and the other his book on football tactics. Written in 1961, it had never been published, and what he had in the file was the original, yellowed, typed manuscript.

I was nervous: he had walked around with his ideas in these dusty files for 40 years, and here was someone who wanted to know. It was why he had overcome his instinctive fear of the media to speak to me.

"If my team is concentrated on this small piece of paper," Sanchez gestured, "and the opposition is spread out over that big file, then I will have

superior numbers in the crucial areas. You must have a force that is compact, organised, and moving forward."

I suggested that his ideas on football rang somewhat military. "No, it's not military," he snapped, before adding: "The principles of war can be applied to anything."

I suspected that he had done things the other way around: that he had applied his footballing theories to military strategy, rather than vice versa. It was chilling to listen to: old men all over the world expound half-baked coaching manual wisdoms, but here was one who might use them on the battlefield.

Football against the Enemy, by Simon Kuper, Orion, £9.99, is the 1994 William Hill sports book of the year.

It was the year of the World Cup and the Winter Olympics, the bung and the bribe. Peter Berlin reviews the events of 1994

The Cup that blotted out the fun

The World Cup has grown so large that it blots out the sun for five weeks and throws into shade other sports events for months before and after. But around the orgy of marketing and broadcasting there was a normal sporting year, with an abnormal number of extreme highs and lows.

The Winter Olympics in Lillehammer, Norway, in February opened in a blaze of publicity after Nancy Kerrigan, a figure skater, was attacked with a crow bar during the US trials by Jeff Gillooly, the husband of her chief rival Tonya Harding.

Kerrigan lost at the Olympics to Oksana Baiul of the Ukraine. In Britain, 4m people tuned in to watch Jayne Torvill and Christopher Dean try in vain to regain the Olympic ice dance title. Instead, the hero of the games was the impassible noble Norwegian Johan Olav Koss, an Easter Island man on wheels, who won three golds and set three world records.

The unfancied Welsh won the five nations championship in rugby, though nobody could quite work out how they did it. Wigan won the double in rugby league. But the visits of the Australian rugby league team and the South African union side suggested that the centre of gravity in both sports remains firmly in the southern hemisphere.

The balance of power in golf is also shifting south of the equator. Nick Price of Zimbabwe won the Open and the US PGA. While Ernie Els of South Africa won five tournaments, including the US Open, and a record £1.5m.

Cricket had its share of heroes and villains. Brian Lara broke Sir Garfield Sobers' test scoring record with 375 against England in Antigua in April, then joined Warwickshire, helping them to win three trophies and scoring 501 against Durham at Edgbaston.

The England test team continued to reel from crisis to

crisis, pausing only to raise their fans' expectations cruelly with consistent performances against West Indies in Barbados, where Alec Stewart scored two centuries, and against South Africa at the Oval, where Devon Malcolm took nine wickets for 57 runs to save the series. The nadir among many low spots was the unseemly matter of the dirt in captain Mike Atherton's pocket. The England team finished the year supreme at the feet of Shane Warne, the Australian spin bowler.

The Formula 1 drivers' championship was decided in the last Grand Prix in Adelaide where Michael Schumacher collided with Damon Hill at speed. Schumacher was widely accused of crashing deliberately to preserve his lead in the championship. Like all the drivers, Schumacher is acutely aware of the dangers of losing control. The whole season was raced under a pall after Ayrton Senna and Roland Ratzenberger died in much-replayed crashes. If Schumacher was so desperate to win that he was prepared to risk being a post-humous champion, then he has crossed the line between bravery and lunacy.

Perhaps the anti-blood sports league should found a branch to protect humans. It could demonstrate at grand prix circuits, American football games and boxing matches. Boxing resembles professional wrestling more every year. But wrestling has better costumes, fitter performers and more plausible fights.

Twenty years ago in Kinsbasa, a superbly fit 25-year-old faced Muhammad Ali, 32 and deemed to be over the hill, for the world heavyweight title. Ali won. George Foreman lost. It is a measure of how far boxing has decayed that in November, Foreman, now an overweight, bald, grandfatherly, regained the heavyweight crown.

It is easy to understand why Frank Bruno was so willing to forsake pantomime in search



Attacking teamwork in the World Cup: Spain's Luis Enrique celebrates scoring a goal

Alison

of yet another last boxing payday, since there is less and less difference between the two.

Tennis also needs a serious heavyweight champion. Martina Navratilova retired; Monica Seles refused to retire; Steffi Graf often played as if she was thinking of retiring; and Jennifer Capriati, retired, was arrested in a drugs raid, and then came back. The WTC raised the minimum age for players to protect them from burning out. It then waived the rules to admit two 14-year-olds with star quality: Martina Hingis and Venus Williams.

Pete Sampras finished the year as men's number one. He is the leader of an elite of hard-working young men without charisma who hit the ball very hard. The exception is Andre Agassi, who returned after a five-month lay-off and won the US Open unseeded, pleasing those who still believe in genius.

The apex of the soccer year

was not the World Cup final but the European Cup final in May. Milan swept aside Barcelona 4-0 with a performance that seemed to herald a new era for the club and the sport. Instead, the club's fortunes have mirrored those of its owner, Silvio Berlusconi. In the autumn, Milan lost the World Cup final to Velez Sarsfield, a poor and unglamorous club from Buenos Aires.

The World Cup in the US opened well. Fifa, world soccer's governing body, had, it seemed, got it right. The stadiums were full; the referees enforced new, harsher laws and, as a result, goals and play flowed.

A darker note entered in the second round after Diego Maradona was expelled for drug-taking and Andreas Eschober was shot after scoring an own goal which helped eliminate Colombia, one of the pre-tournament favourites.

Matches were staged at mid-

day or in mid-afternoon to accommodate European television viewers, and the soccer began to suffer.

Players had to work in conditions that ran from sweat-shop (New York), through steel-foundry (Dallas) to Turkish bath (Orlando).

Teams that had spent five weeks playing in steam ran out of it in the end. The final was a weary spectacle. It yielded no goals and was decided by the inability of the cramped legs of Franco Baresi and Roberto Baggio to keep their penalties down.

The finals still yielded rich memories: Baggio's last-minute heroics, George Hagi's guile, Hristo Stochkov's explosive, Sead Owatran's unorthodox, Romario's gift for the unexpected, the Nigerian mix of delicacy and power, the attacking teamwork of the Spaniards. The World Cup provided some light in the year of the crash and the crow bar.

Careers fall to drugs and money

Anics off the sports field often dominated the headlines in 1994. Tales of drugs and money were everywhere. More competitors were caught using drugs to put extra meat on their bones. More agents, officials and competitors were caught trying to take a larger cut from the fatted calf.

In soccer, Marseilles finished second in the French first division and were relegated over a bribery scandal. In England, Bruce Grobbelaar, the Southampton goalkeeper, was accused of taking money to throw matches. The battle between Tottenham Hotspur and the Football Association over the club's list of controversial financial deals dragged on until December. Perhaps the FA should be grateful to the lawyers who persuaded them to reduce Tottenham's punishment to a £1.5m fine.

As the Tottenham matter was being settled, George Graham, manager of Tottenham's north London rivals Arsenal, was accused of accepting £200,000 - allegedly paid back later, with interest, to Arsenal - from Rune Hauge, the agent of John Jensen, a Dane who Graham bought in 1992. Graham is not the only manager to have had dealings with Hauge.

If every club suspected of strange transfer dealings or of quietly writing cheques to the Inland Revenue were relegated, Nottingham would be in the Premier League.

In the NBA, the baseball season ended abruptly and the National Hockey League season never started as the team owners fell out with players. The dispute is, ostensibly, over the players' willingness to accept the ever more enormous sums of money the owners offer them. The owners want to introduce salary caps, on the model of the National Basketball Association and National Football League.

In the NBA, clubs are coming up with increasingly imaginative contracts. Even with a salary cap the owners of wealthy clubs cannot resist trying to pay as much as they can afford to star players.

The early experiences of the NFL salary cap - most teams have got rid of highly-paid

players, while the San Francisco 49ers have carried on signing one superstar after another - suggest that the more complex the rules, the greater the advantage of the best-run clubs. The 49ers have worked out the nuances of the cap quicker than their rivals and used it to rebuild their fading power.

In soccer, hungs, backhanders and tax dodges are the product of the desire of the rich clubs to exploit their financial advantage and of less-wealthy clubs to keep up. They are also the natural coin of an industry which seems content to allow its managers to dip into the pot on their own behalf whenever they conduct financial transactions.

Naturally, the soccer authorities find it convenient to blame outsiders - the agents - and plan to issue licences. But clubs eager to sign a star will still talk to whoever the player chooses to represent him. The fact that an agent plays too rough for the FA or UEFA may only recommend him to a player keen to employ the toughest negotiator.

The year brought a fresh crop of steroid huts, each followed by the usual protestations of innocence. In athletics, Britain leads the world in drug use. Six Britons tested positive in 1994, led by Diane Modahl, a popular and successful middle-distance runner.

Perhaps more significant were the positive tests of 11 Chinese competitors, most of them swimmers, at the Asian games in Japan. These seemed to confirm western suspicions that the recent successes of Chinese women were the product of systematic drug use.

Diego Maradona's expulsion from the World Cup, after he tested positive for five varieties of the stimulant ephedrine, drew mixed reactions. The British tabloids, who still bear a grudge for the Hand of God goal that knocked England out of the 1986 World Cup, were gleeful. In Argentina it was viewed as a disaster.

Unlike steroids, stimulants must be taken just before competition and will always show up in drug tests. They are taken by idiots or by desperate men. For Maradona they were,

briefly, the elixir of youth. They gave him nothing that he had not once possessed. For three games he recaptured some of his earlier brilliance. Soccer fans who drew pleasure from his reborn genius will have regarded his disgraced exit from world football with mixed feelings.

Cocaine is just for idiots. Perhaps the only surprise about the affair of Paul Merson, the Arsenal footballer, is that it has taken so long for the drug to spread from north American sport. Even so, the Merson case had a peculiarly British twist. Merson said he snorted coke to keep himself going during long drinking sessions.

Merson was condemned by a host of pundits and ex-pros for setting a bad example to young fans with his drug taking. Of course, cocaine is illegal while lager is legal, but someone should tell children that drinking 14 pints of lager a night is also a bad idea.

One of the most encouraging spectacles of the year was watching bemused middle-Americans being dragged round World Cup stadiums by children in soccer T-shirts.

The experience of the US soccer authorities since then provides a healthy reminder that money has its limits. The USSF, in spite of its mountain of World Cup cash and goodwill, failed to launch the professional league it had promised FIFA. Even the highest, gaudiest sporting blooms grow from the ground up. The US soccer authorities would be better advised to nurture instead the flourishing grassroots of soccer in their country and show a bit of patience.

But patience was a quality in short supply in a year when so many in sport tried to take short cuts to success.

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FOOD AND DRINK

In search of the UK's curry capital

Nicholas Lander and Iqbal Wahhab enjoy drawing their own curry map of Britain

The figures are impressive. According to Pat Chapman, founder of The Curry Club of Great Britain, there are 7,500 people for each Indian restaurant in the UK.

This breaks down roughly as follows: in Bradford there are 2,000; Manchester 2,700; Birmingham 3,800; London 4,300 and Glasgow 5,319.

But the figures alone do not reveal the breadth and regional differences in the spread of Indian cuisine which has been developing in Britain since 1945. To set this right - and to offer a spicy alternative to more traditional winter fare - Nicholas Lander and Iqbal Wahhab, editor of *Tandoori* magazine, set out to draw a curry map of Britain.

EAST LONDON

Bangladesh (formerly East Pakistan before independence in 1971) has supplied the last main migrant community into Britain. There are 300,000 Bangladeshis in Britain, 30,000 of them in Tower Hamlets. They are mainly from the Sylhet region of north-east Bangladesh and, in the past 25 years, a large array of specialist grocery stores, cafes and restaurants have opened to serve them.

Although Bangladeshis own and run the majority of this country's "Indian" restaurants, the Bangladeshi diet is different, drawing heavily on fish and vegetables. The Shampun, 79 Brick Lane, E1, (071-575 0475) serves specialities such as *Rhui*, a carp-like freshwater fish which weighs an average of 10lb to 15lb and is firm and creamy-textured.

At 133 Brick Lane (247-8210) there is The Aladin, replete with Farnica tables and semi-self-service, where you go to the glass counter and point to what you want. Here you can eat Bangladeshi vegetables such as *potol*, a smaller and more compact form of the courgette or *lai sag*, a leafy spinach that is beetroot red. Two doors away, Nazrul (247-2505) was made famous by Salman Rushdie in *The Satanic Verses*.

Just off Commercial Road is the famous Pakistani establishment, the Lahore Kebab House (2 Thebes Street, 488-5551). This is not only popular with locals but also with well-heeled City visitors. Simple dishes such as *seek kebabs* (barbecued minced lamb) and *karahi gushi* - meat cooked in a *karahi*, a two-handled cast iron pot used for cooking and presenting food - are popular. The restaurant is unlicensed but you may bring your own wine.

SOUTHALL

Punjabis started arriving in Southall, south London, when just after the second world war, a rubber factory was set up in the area which appointed a head of personnel who had been stationed in India. He had

been so impressed by Punjabi Sikh diligence that he began to recruit them. Punjabi food, by contrast to Bangladeshi, is spicy and meat based, with an emphasis on kebabs and *karahi* cooking.

Known as Britain's Little India, Southall has a vibrant, upbeat atmosphere compared with Brick Lane. Its High Street hosts a spectacular array of colours - from sari shops to grocery stores.

There are two "upmarket" (ie licensed) restaurants of repute - Brilliant (72 Western Road, 081-674 1928) where the butter chicken is a real treat and Madhu's Brilliant (39 South Road 081-574 1897).

According to local folklore, Madhu's Brilliant was set up by the sons of the founder of the original restaurant. At the end of the 1970s Sanjay and Sanjeev Anand were trying to convince their father that tandoori chicken was going to be the next big development in Indian cooking and that they should invest in a *tandoori*, a

Other Gujarati dishes include *channa* (curried chick peas) and *maag* (a thick broth of black lentils served with *naan* bread).

Meat dishes are served at the popular Karahi King (213 East Lane, 061-904 2780) and Curry Craze (8-9 Neald Parade, Wembley Hill Road, 061-902 9720). Look out for methi chicken, cooked with fenugreek seeds which gives a pungent aroma.

CAMDEN

Although the area is predominantly Bangladeshi, there are on Drummond Street, NW1, near Euston Station, renowned vegetarian. South Indian restaurants such as Diwana Bhai Puri House (114 Drummond Street, 071-387 5555) and Ravi Shankar (133 Drummond Street, 388-6458). Apart from *bhel puris* there are *dosas*, bugs, traditional South Indian pancakes stuffed with spicy vegetables and accompanied by a coconut sauce.

BIRMINGHAM

The land of the *balti*. The *balti* is like a *karahi* and both are served up in *baltis*, floating in a huge amount of sauce best mopped up with the massive *naan* breads they serve, often up to 18 inches long.

Claims to the origins of the *balti* range from Sparkbrook, a Birmingham suburb, to a place called Baltistan which Pat Chapman, of the Curry Club, spotted with a magnifying glass on a map of north-western Pakistan.

Look out for The Adil (148, Stoney Lane, Balsall Heath, 021-449 0335) which like most of Birmingham's 300 *balti* houses is unlicensed. Also safe bets are Kababish (29 Woodbridge, 021-449 5556) and Royal Al Faisal (136-140 Stoney Lane, Sparkbrook, 021-449 5695).

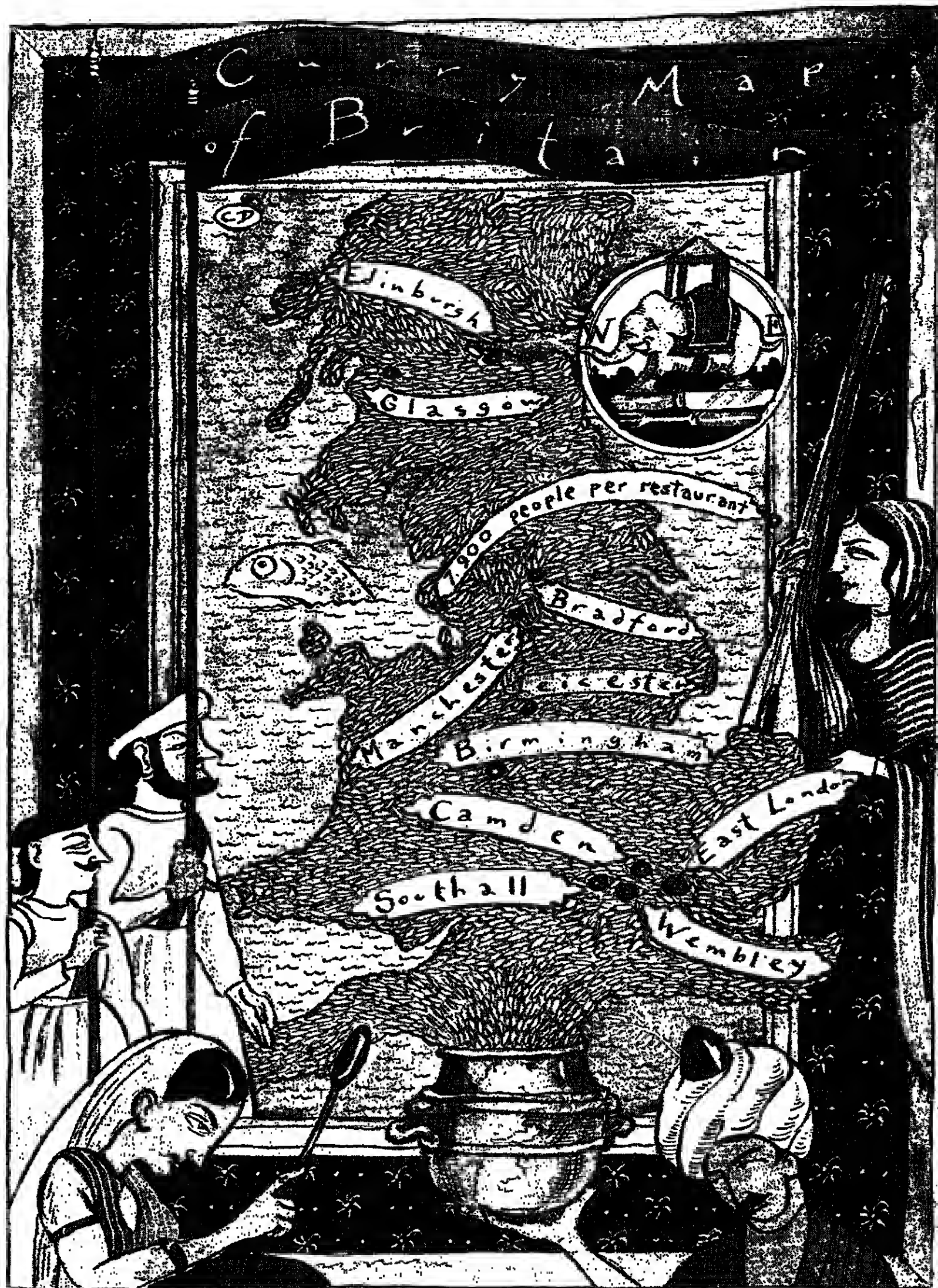
LEICESTER

One third of Leicester's population is Indian, the highest concentration of any city outside India. They are predominantly Gujarati in origin but the owners of Madhu's Brilliant (of tandoori chicken fame in Southall) own Curry Fever (139 Belgrave Road, 0533-662941). Belgrave Road is Leicester's curry centre, although Melton Road offers good competition with, in particular, The Taj at number 259 (0533-662185).

BRADFORD

Bradford boasts the highest concentration of curry restaurants in the country. Bradford's Pakistanis are mainly from the Mirpur region, just south of Kashmir and Pakistani cuisine is the most meat based of any region of the Indian sub-continent, typified in *gosh khana mazzia*, lamb cooked with whole spices.

Here there is a heavy emphasis on kebabs and *biryani* dishes not just in restaurants but also in private houses which open their dining rooms



to those in search of an authentic, home-made curry. Look for discreet signs in the windows of these houses.

The Aargh (27 Westgate, 0274-694660) serves an excellent *naan* - a leg of lamb marinated in yoghurt and spices and then roasted slowly. The Kashmiri (27 Morley Street, 0274-726513) is the oldest of Bradford's restaurants having opened its doors in 1955. The chef at Shah Jahan (726 Manchester Road, 0274-724814) recently won the

Bradford chef of the year competition.

MANCHESTER

Like Bradford, predominantly Pakistani. The place to head for is Wilmslow Road, Rusholme - aka "Curry Alley" - where there are restaurants such as the Tandoori Kitchen (061-234 2323) and The Punjab (061-235 1542) and a number of cheaper cafes such as The Shezan (061-234 3116). Classic Pakistani dishes such

as *haleem*, a spicy broth of lentils and meat cooked gently overnight, are sometimes available as a special.

More upmarket is the Gaylord (Marriotts Court in the city centre, 061-532 4886) where a signature dish is *meethi maza* - minced lamb cooked with spinach and fenugreek, Kashmiri style.

SCOTLAND

For the past two decades the Highlands of Scotland have

been home to Pakistani door-to-door salesmen while the racial mix of the Lowlands is more evenly balanced: Punjabi Indians, Pakistanis and Bangladeshis in Glasgow, Indians and Bangladeshis in Edinburgh.

In Glasgow there is the Killarney Polo Club (2022 Maryhill Road, near Bearsden, 041-946 5412) and Bahir's Ashoka (108 Elderslie Street, 041-221 1761) which offers no less than 10 types of *pakora* -

pastry pyramids with spicy fillings.

Popular in Edinburgh are the Indian Cavalry Club (3 Atholl Place 031-228 3282), the southern Indian vegetarian restaurant, Kalpa (23 St Patrick Square, 031-667 9830), and The Verandah (17 Dairy Road, 031-337 5828), which boasts Chut Tandoori among its clientele.

Iqbal Wahhab is editor of *Tandoori* magazine and runs East-West Communications.

Spirit of the Caribbean

Giles MacDonogh compares the islands' rums

Rums reflect the nations that make them," said Vincent Osborne, the jolly proprietor of the soon-to-be-three branches of the Brittonia bars and restaurants.

"You wouldn't expect much subtlety from a Jamaican. Jamaicans are not subtle people." Reading my thoughts, he added that he was not from Jamaica, but from quite another Caribbean island.

Osborne proved his point in the course of a tasting of a couple of dozen rums in his Covent Garden branch, Brittonia Backyard.

Rum is distilled wherever sugar cane is grown and in a few places where it is not. There is African rum from Nigeria, Kenya or South Africa; Indian rum reeking of petrol; Australian rum, which in its heyday was aged in old wine casks from the Hunter Valley; and north and south American rum. The best, of course, comes from the Caribbean.

Some rums from the former Spanish colonies were predictably flavoured for the sweet-toothed: Ron Colonial, a golden rum from Guatemala, or Ron Artemi from the Canary Islands, for example.

Cuba had its own style of

white, un-aged rum, of which Bacardi is now the best known example, even if it is now no longer made in Cuba and is these days less of a rum than a popular white spirit. If you want to try a Cuban white rum you would be better off with Havana Club. Both a white rum, and a three-year-old, golden, banana-smelling rum are available here.

The old French colonies and the two French islands of Martinique and Guadeloupe (which are now departments of France) make the best rums. Most are made in column stills which produce a less pungent spirit than that made in Jamaica, and one which needs a longer process of maturation.

Osborne let me taste a 15-year-old from the famous old Barbaucourt estate on Haiti which was wonderfully complex, if slightly too woody in the mouth. He charges £13 a shot for this, but concedes that its rarity together with the difficulty obtaining it (he has to travel the *bus fons* of Miami to lay his hands on the odd bottle) tends to push the price up.

Martinique white rums don't impress me much, perhaps because I am reluctant to see any drink submerged beneath a liquidised fruit cocktail. The Saint James brand, widely dis-

tributed in France, makes a Royal Ambre which despite a slightly sickly nose has lots of spice on the palate.

Even better were two rums from J. Bally at Larjus du Carbet in Martinique. The 1966 was a dream, an absolute must for anyone who doubts rum's ability to hold its own among the world's great digestifs. From the Domaine de Montebello came a 1948 rum which was magnificently spicy: cinnamon, cloves and ginger.

In the old British colonies many of the rums were made in pot stills using molasses as opposed to the cane juice preferred by the French. The result can be very "estery".

Ben Cross de Chavannes, a veteran rum trader, showed me some startling figures relating to the ester count in Jamaican rums. In layman's terms this means that many Jamaican rums are a good deal more aromatic than malt whisky. Some of these rums are blended with less pungent distillates before they are bottled in order to tame their natural explosivity.

Many Jamaican rums are bottled at high strength. These used to be the "high wines" - the "fore-shots" of the distillation which are generally redistilled because they have an off-flavour or "faint". During the

Great War these were the only spirits made available to the Jamaicans, and they developed a taste for them. Fortunately, perhaps, these are not widely available.

Anyone wishing to try a subtle white rum from a British island, should sample The Baron's CSR from St Kitts, which is remarkably smooth. Cockspur is a golden rum with a faintly nutmeg-like aroma. Not so Lang's Finest Old Banana. This shoots fruit at you from 30 paces; not even drowning it in fruit juice was able to suppress its violent bouquet.

Two rather more house-tamed rums are El Dorado Demerara rum (from Guyana) and Alfred Lamb reserve. The 15-year-old Guyanese rum has a smell which reminded me of angelica. The Lamb is a rather nutty drink, big and warming. These two come closest to being after-dinner drinks, but the French in Martinique and Guadeloupe, I'm sorry to say, do it a lot better.

The Brittonia, 11 Dorset Place, London SW9 (071-978 8770). Brittonia Backyard, 4 Neal's Yard, London, WC2 (071-940 2769); from early January, a new Brittonia will be open at 269 Portobello Road, London W10 (081-988 6188).

Two independent reports alerted me to the good value and creative cooking Thierry Coué offers at Les Amognes - so independent that the sources of these reports live 6,000 miles apart.

The first came from Mel Knox, a San Franciscan who makes his living selling French oak barrels to American wine-makers, the second from Robert Vihari, chef and part-owner of Tan Dinh, a Parisian restaurant which combines excellent Vietnamese cooking with a stunning wine list, particularly of Pomerols (60 rue Verneuil, 7th, 45 44 04 84).

What had aroused Knox and Vihari's interest in this restaurant had been its name, Les Amognes. This is Coué's birthplace, a little village close to Nevers, in central France, a city known wherever wine or brandy is produced for the quality of the oak that comes from the forests nearby. As anyone in the wine world will tell you, whenever an area is associated with the making of good wine, good food is not far away.

I was glad that I went with such strong recommendations, however. Although Les Amognes is only 100 metres from the Faidherbe-Chaligny Metro and near a stop for the 88 bus which took me back to Boulevard St Germain, it is not easy to find - particularly when scaffolding encases its entire front window.

As I wandered along in

Eating out in France A Loire chef in Paris

In search of lunch, I began to appreciate some of the commercial problems Coué faces, which he was to explain when we talked after lunch.

The 11th *arrondissement* is not a business area, so there are few people eating on expense accounts and there is a plethora of cheap competition - Italian, Chinese and other French restaurants - seeking the custom of the quarter.

"I opened here 4½ years ago," Coué explained, "which means that I have never really known anything other than difficult trading conditions. I have one FF170 (£20) menu which includes four courses, an *amuse-gueule* and *petits fours*, service and tax. This is my price for lunch and dinner and I know I cannot raise it even by FF5."

"The restaurant can seat over 40 but I work with five staff. A *maitre d'*, who doubles as cashier, a *commis* who takes the coats, myself, a second chef and a *plongeur*. I change the menu with the seasons but I cannot change the price. The great challenge for me is to

rework those ingredients which fit this price and which the customers like into slightly different dishes on the menu."

To sit in Les Amognes is not particularly exciting. It is a long, dark room with natural light only from the front window. The left-hand wall is exposed brick and the bar to the right and the ceiling are of dark wood. Attention and money is devoted to the food.

As you sit down, a dish of salmon *rilette* and thinly sliced baguette is placed on the table together with the menu. Reading the menu I made the mental resolution not to eat more than half the *rilette* but as my first course arrived I had finished it.

Coué's menu contained two of my favourite ingredients so I knew immediately what I would order but I saw several other dishes that I would return for: *beignets* of salt cod with fried sage leaves, black pudding wrapped in filo pastry, a terrine of wild rabbit and rosemary, a skate wing with aubergine caviar, cep stuffed with oxtail and *noisettes* of venison, red cabbage and

chestnuts.

Since I like to eat what I cannot prepare easily at home, I ordered a dish comprising eight small pieces of toast, with cubes of warm beef meat, row hopped in turn with thin slices of radish and chives. Silvers of mustard gave this comforting dish an extra length of flavour. This was followed by five, plump scallops around a mound of sautéed salsify on a truffle sauce. Then came a plate of three cheeses and roast figs stuffed with red fruits. With the coffee came an intense almond *tarte*.

There is a good list of Loire wines but as Coué explained: "We French believe that a wine list has to begin with Champagne, then Bordeaux and Burgundy. My Loire has to come after that."

Persevere. There are lovely wines from Huet, several reds, Chateau and Bourguet, with bottle ages and three different curves of white wine in halves from Didier Dagenais, the region's most dynamic wine maker.

I enjoyed Coué's cooking, and admired his style, modesty and diligence. I left, too, with admiration for two of his female customers whom the *maitre d'* told me were frequent visitors even though they were in their 80s.

Les Amognes, 243 rue du Faubourg Saint-Antoine, 75011 Paris, 49 72 73 05. Closed Sunday and Monday.

Nicholas Lander

MOTORING AND SKIING

Motoring

King Cone looks for new roads to conquer

Simon Hughes meets a man who just loves roadworks

In the interests of safety an ordinary motorway contra-flow requires about 10,000 road cones. In view of the number of roads currently under repair this means there are probably more than 3m cones in use in Britain alone.

"By the year 2000," the Highways Agency forecasts, "37 per cent of Britain's motorway network could be operating above its design capacity." In other words, over a third of its main roads will be either blocked with cars or coned off for repair. We are moving into the era of King Cone.

In the Gloucestershire hamlet of Broughton Pogges this news is cause for optimism. Broughton Pogges is the home of Peter Cook Safety Products, the world's leading producer of cones - every week they make 25,000 of them. David Morgan, the company's managing director and inventor of the plastic cone even collects them. He has 570 in his garage.

Morgan produced the first PVC cone in 1967 while he was working at ICI and experimenting with liquid polythene. "It was my job to make products using a rotating moulding machine. I tried designing hollow toys - one was an elephant but when I pulled it out of the mould the trunk kept breaking off. I drove over a wooden police cone going to work one day and realised it was the perfect shape for my machine."

In 1973 he was invited to set up a cone manufacturing plant for British Telecom and he has been making and collecting them ever since.

Morgan was runner-up in a recent British television vote for the most boring man in Britain (the winner collected

brown paper bags). But how could anyone want to surround himself with objects that symbolise danger and frustration?

"For me road cones hold an extraordinary fascination, and I can spot a different design at 100 yards," he says. "I search for different styles everywhere I travel, and then barter for new discoveries with swaps in my boot."

The prizes in his collection include a five-sided cone he picked up in Manchester, a Malaysian version he found on a beach in the Scilly Isles, and one from his own company which floated ashore while he was on holiday in Corsica.

"I took it through the red channel at Heathrow customs but the man said: 'We haven't got a category for that. OK, carry on.'"

The adaptability of these coloured plastic sentries is immense. They turn up guarding wet paint or washed floors in public buildings, on football training grounds or at cycling proficiency test centres, as accessories in student bedsits, and as chewable toys for young pit bull terriers. Morgan spotted one suspended over a naked bull outside a brothel in Amsterdam.

And he recently received a video from a zoo-keeper of a polar bear playing with one - swimming with it and storing his food in it.

"Watch News at Ten every day and there'll always be one of mine somewhere," he says.

They possess great authority. Motorists manoeuvre obediently around them even when they have strayed from their original position. The key is to keep them upright - a horizontal cone is usually



David Morgan: runner-up for the most boring man in Britain award

ignored - and for this reason a legion of workers pour 20 tons of sand a day into the black-plastic base.

Morgan has done well from the cones. He runs a highly successful 24-hour manufacturing business with a £5m turnover.

Britain, with the best road safety record in the world, has persuaded other countries to invest in cones and 20 per cent of their sales are overseas, mostly to mainland Europe. But Morgan sells cones to police forces and traffic author-

ities as far away as Saudi Arabia and China, as well as large and engineering companies across the UK. "We get orders from all over the world," says Morgan. "One of ours was pulled out of the sea by a man in Fiji and he requested 5,000."

Morgan's company makes everything from the diminutive 13-inch traffic cone to the giant Highwayman. Personalised wedding cones decorated with lace and frills are available to order and Morgan sells about 50 special black funeral

cones a week. He has even diversified into road signs, barrier systems, flashing lamps and paint for marking out white and yellow lines.

But the production of around 1.5m cones a year is still the chief pre-occupation of the 65 staff at the Broughton Pogges plant.

In Britain, the 365-page *Traffic Sign Regulation and General Directions* booklet gives precise dimensions and colours of cones, and the layout needed for certain types of traffic control.

Cones are forever getting stolen, mangled or discoloured, so there is always fresh demand.

Is Morgan proud of his job? "Well it's not something I admit to socially, but it's quite satisfying knowing my product sees people through road works safely."

What if there is a decline in road building? "That's fine - old worn out roads are better for us. But if and when work starts on extending the M25 to 14 lanes, we're going to have a big party."



Backs to the future: The Fiat Punto



The Mazda 323F GLX



Ford Escort RS-Cosworth

Safety and security are selling cars

Stuart Marshall picks the cars that stood out in 1994 - a year in which speed became less important

For the first time, huilt-in safety and security has started to sell a lot of cars.

In the past year, many people have asked salesmen not how fast the car they were thinking of buying would go, but if it had driver and passenger airbags, ABS brakes, thief-resisting deadlocks on the doors and effective intruder alarms.

Convenience has moved higher up the list, too. Power-assisted steering has come to be seen as a near essential.

I take just a tiny bit of the credit for this. For years I have been nagging away at manufacturers about the need for

small inexpensive cars to be as effortless to park and drive in town as large ones.

The trend to diesel cars has continued during 1994. True, the rate of climb in UK sales was less steep than it had been in 1993 because in that year it had started from a lower base.

Even so, when the figures are published early next month they will show that more than one in five of all new cars registered in Britain last year were diesels.

Despite the government's signal lack of enthusiasm for and understanding of diesel cars, their popularity will continue to grow.

As pump prices edge towards

the £3 gallon (66p litre), a car that uses anything between 20 per cent and 40 per cent less fuel is its own best advocate.

Sensible people find the latest diesel cars are just as enjoyable as petrol cars to drive.

Outstanding among the many diesel engines I have driven behind in the last year were the ultra-economical direct injection VW-Audi 1.9-litre and Peugeot-Citroën's new and slick 2.5-litre, both of them turbocharged.

Mazda's smooth 2-litre with a crankshaft-driven supercharger had massive pulling power at low revolutions. And BMW's 2.5-litre in-line six-cyl-

inder diesel, also used in the new Range-Rover and Vauxhall (Opel) Omega, was still the best of all.

I have lost count of the number of cars I drove in 1994 and, hand on heart, I can say there was not a dud among them.

But a few stand out. Peugeot's pretty 306 cabriolet was a joy to drive open-topped in Spain. The Saab 900 soft top lived up to its reputation as a car for all seasons in Ireland's sun and showers. And Renault launched its Laguna spectacularly in Tanzania; the predatorially-priced and well-equipped 3-litre version made an even better impression on me in Britain than it had on pot-

holed African roads.

There were plenty of posh, powerful and pricey new cars in 1994. BMW introduced its superb seven-series. Pearl among the latest Jaguar XJ saloons was a sensational supercharged 4.0-litre. Audi's all-aluminium A8 with four-wheel drive and Tiptronic transmission was unrivalled for advanced technology. And the first new Range Rover in 24 years was more refined and luxurious than ever.

Two compact and very high performing hatchbacks with four-wheel drive making them easy to drive well, were the Ford Escort RS Cosworth and Subaru Impreza turbo.

Fiat's Punto - winner of the Car of the Year Award - and the latest VW Polo brought big car standards of refinement in much smaller packages. So, too, did the new and sleekly good-looking Mazda 323 and more conventional Honda Civic hatchbacks.

The joint Fiat-PSA multi-purpose vehicle was car-like to drive, not at all bulky and offered a huge amount of adaptable interior space. And BMW's Compact was good enough to convince me it might persuade existing BMW 3-Series saloon owners to trade-down a little next time and Ford Escort owners to trade up.



S M

Youth appeal

Why Rover transformed the Metro

More of a nose job than a full facelift. That sums up the cosmetic changes Rover has made to the Metro for 1995.

The name has changed, too. In future, it will be a Rover 100, which is what it has been called for several years on

mainland Europe, where a metro is an underground railway.

The changes should make Rover's smallest modern car more attractive to young buyers who have been put off by its angular, early-1980s styling.

This was a pity. Since it was given a new engine, transmission and suspension a few years ago, the Metro has been one of the best superminis for ride, refinement and handling. But it lacked sales appeal because it looked thoroughly middle-aged.

Safety and security improvements include a cheap (£245) driver's airbag option,

standard side intrusion beams in the doors and a combined alarm and immobiliser.

In addition to Rover's own K-series 1.1-litre and 1.4-litre petrol engines (right), the 100 may be had with a Peugeot-Citroën 1.5-litre diesel. Prices start at £6,495.

Three two-pedal 100s with continuously variable transmission will be good town cars and would be even better if power steering were available.

A cabriolet with power-operated hood that joins the Rover 100 family in the spring will cost about £12,000.

FT Ski Expedition

No turkey on the final leg

Arnie Wilson misses the traditional fare as his odyssey nears its end

Arnie Wilson and Lucy Dicker spent Christmas in Utah, as they near the end of their round-the-world trip.

Christmas Day at Snowbird in Utah dawned as bright and tingling as a TV toothpaste advert and our first Noel on skis was superb.

The only disappointment was the complete lack of traditional Christmas fare. Still, Dick Bass, the garrulous Texan oil millionaire who built the Snowbird resort more than 30 years ago, rang us - very early - from his home in Dallas with recommended restaurants.

Any man prepared to host us for a week over Christmas and take us skiing on one of America's finest mountains on the 8am tram, before any holiday-makers are allowed up the mountain, can call us any time he pleases.

Before arriving in Utah, we had been at Jackson Hole, where a party was held in our honour. We began our odyssey in Jackson Hole on January 1. And just as he had promised, John Resor, the chief executive of Jackson Hole Ski Corporation invited us and 38 guests - including Jay and Connie Kemmerer, the ski resort owners - to his home in Teton Village to welcome us back.

The following day it was back to business: Lucy rashly suggested that we should celebrate our return to Jackson by trying to break our record for the number of vertical feet skied in one day. Nine rides up Rendezvous Mountain in Jackson's Red Tram (cable car) would do it. But we aimed for 10, which would give us a total of 43,000 vertical feet (about 35 miles).

By coincidence, we were due to be accompanied by Richard Edwards, Ski Scott Dunn's representative in Jackson, who had kept us company last April when we set up our previous record of 34,000ft at Champéry in Switzerland.

Unhappily, Edwards - steaming down through the trees with us in Wally World during our first descent, hooked a ski in deep powder and gashed his eyebrow badly.

We eventually managed our 10 trams with minutes to spare, but Richard's injury rather cooled our elation and made us realise how fortunate we had both been to escape serious injury this year.

One step Jackson is taking to make skiing safer is to install "restraints" (safety guards) on its lifts. For years American ski areas have had an ambivalent attitude towards these, arguing that they sometimes caused more accidents than they prevent. But Jackson Hole has finally come round to thinking they are a good idea.

In America, skiers are discouraged from jumping from lifts with such signs as "Do not jump from lift - survivors will be prosecuted".

From Jackson we drove 300 miles to Salt Lake City to investigate Wolf Mountain and Robert Redford's resort, Sundance. Wolf Mountain used to be called Park West but is being completely revamped.

Its trails are now linked with threatened species, with names such as Cheetah, Red Kangaroo, Rattlesnake and Red Wolf Bowl. In a state which by and large bans snowboards, Wolf is out to be the snowboarding capital of Utah, thus making skiers a threatened species too.

Inevitably Sundance, Redford's charming resort in the shadow of Mount Timpanogos (12,000ft) the highest peak in Utah's Wasatch Range, has Butch Cassidy connotations which rather belie the beauty and tranquillity of this spectacular canyon.

There are runs called Outlaw, Maverick, Stampede, Badlands, Quickdraw and Top Gun.

Arnie Wilson and Lucy Dicker stayed at The Inn at Teton Village, Jackson Hole, Wyoming. In Utah they stayed at the Olympus Hotel, 161 West 600 South, Salt Lake City. The Mandarin cottages at Sundance and the Silver King Resort Hotel, 1485, Empire Avenue, Park City. They spent Christmas at The Cliff Lodge at Snowbird, Utah.

Skiing/Arnie Wilson

The best of both worlds

And now... the "Low Fat" ski. For the last three days I have

enjoyed some of the best powder skiing in my life without a helicopter in sight. We have been hurtling down Jackson Hole's legendary Hoback with such control that the casual observer might think we had become expert powder skiers. Yet on-piste our skis have performed equally well. But it is not us who are improving. It is our skis.

We were trying out the latest skiing fad to build their own version of the Atomic Powder Plus - good in powder but cumbersome on piste. Now Atomic itself has helped pioneer the compromise between "fat" and "thin" with its Heli Guide model. But in Jackson it is the Snow Ranger which has captured the hearts and feet of skiers.

These skis give you supreme control and confidence both on and off piste, changing your concept about your own abilities and neutralising mistakes which on ordinary skis would lead to a fall. But as Dave Wheeler, our guide in Jackson, pointed out, you may have to be a reasonably good skier in

the first place to get the best out of them.

Beginners are not necessarily going to find "low fat" skis are the answer to their prayers; you need to feel some degree of skill into them to bring out their best qualities.

Meanwhile, another new shape of ski - wide shovel and a narrow waist - is at the centre of a separate "revolution" in skiing. And again, the development of the "fat" ski was responsible.

Says Chris Staggs, a vice president at Two Ski Valley, New Mexico, said: "What's really happened is that when Atomic came up with the Powder Plus Fat ski, it broke the mould of what the traditional ski should look like and the ski designers said: 'If we can have skis this shape, what other shapes can we come up with?'"

Klan came up with the "S" ski. Staggs and others are very excited about its potential. Alberto Tomba had already revolutionised skiing wisdom with his two-footed race technique - and now here are the skis to take this into the recreational skiers' domain.

"With these skis you can forget about putting most of your weight on the outside ski," enthuses Staggs. "You just set the S ski on its edge and it turns by itself. It wants to turn. This ski could change the way we think about skiing. But you have to ski it with your legs even further apart than normal and keep both skis in contact with the snow. Skiing with your legs bolted together will be a no-no!"

Oh well, time to learn to ski yet again. What happened to all those days of practising racing step turns, jet turns, counter-rotation, bending the knees rather than the ankles, riding the outside ski, and leaning forward instead of "skating tail"?

MOTORS

MASSPORT LEXUS offers the LS400 for £211,000 plus VAT. C3000 for £228,000 plus VAT. Demonstrations at your home or office. Tel: 081 450 0005 for details.

JEMCA, London's Largest Dealer for LEXUS. Tel: 081 333 1889

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8945
● European Baroque Orchestra: Wieland Kuijken conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8
● Przeworski Quartet: plays Rossini, Korngold and Borodin at 8.15 pm; Jan 11
● Royal Concertgebouw Orchestra: with violinist Sahra Chang, Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 4, 5, 8, 12

GALLERIES

Rijksmuseum Tel: (020) 673 21 21
● Art of Devotion 1300-1500: major winter exhibition focusing on the spiritual function of objects in the medieval period to Feb 28 (Not Sun)
● Marbled, Chintz and Brocade Paper: an exhibition of decorated paper manufactured in and imported to the Low Countries in the 17th Century; to Feb 12
Van Gogh Museum Tel: (020) 570 5200
● Odilon Redon: retrospective of the French artist's work with over 160 paintings, etchings and lithographs from public and private collections; to Jan 14

ANTWERP

OPERA/BALLET
Flamand Opera Tel: (03) 233 66 65
● Madame Butterfly: by Puccini, A De Vlaamse Opera production, conducted by Silvio Varviso, directed by Robert Carsen at 8 pm; Jan 5, 7, 10

BALTIMORE

CONCERTS
Baltimore Symphony Orchestra Tel: (410) 783 8024
● Baltimore Symphony Orchestra: with Canadian pianist Louis Lortie and conducted by Sergiu Comissiona plays Rachmaninov, Brahms and Prokofiev at 8.15 pm; Jan 5, 6, 7

BARCELONA

GALLERIES
Fundació "la Caixa" Tel: (93) 404 60 73
● Kindred Spirits: Two Roads to Abstraction: Exhibition that marks the stylistic evolution of the two painters in their early phases; to Jan 22 (Not Mon)
● The Austrian Vision: a selection of 17 Austrian artists from three generations that represent the different models and main aesthetic postures adopted by Austrian artists over the last 20 years; to Jan 22 (Not Mon)
● Picasso's Early Works: 220 drawings and paintings from the period 1890-1912; to Feb 12 (Not Mon)

BERLIN

CONCERTS
Philharmonie Tel: (030) 2548 8132
● Berlin Philharmonic Orchestra: with conductor Claudio Abbado and soloists Sylvia McNair, Ulla Gotsdiner plays Schumann at 8 pm; Dec 31 (5.15 pm)

OPERA/BALLET

Deutsche Oper Tel: (030) 3 41 92 49
● Aida: by Verdi, Conductor Stefan Soltesz, production by Götz Friedrich at 7 pm; Jan 3, 7
● Ballet Gala Evening: conducted by Peter Ernst Lassen at 7 pm; Jan 1
● Radio Symphony Orchestra: Frankfurt: conducted by Einar Inbal plays Weber, Schoenberg and Schumann at 8 pm; Jan 12
● Der Rosenkavalier: by Strauss, Conductor Jiri Kout, production by Götz Friedrich at 8 pm; Dec 31 (5.30 pm); Jan 8
● Zar und Zimmermann: by Lortzing, Conductor by Hans Hilsdorf, production by Winfried Bauerfeld at 7 pm; Jan 10
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Zauberflöte: by Mozart, Conductor David Bernstein, production by August Everding at 7 pm; Jan 1, 4, 7

BOLOMNA

OPERA/BALLET
Teatro Comunale Tel: (051) 529999
● Semele: by Handel, An English National Opera production at 8.30 pm; Jan 3, 5, 8, 10, 12 (6 pm)

BONN

OPERA/BALLET
Oper Der Stadt Tel: (228) 7281
● Carmen: by Bizet, A new production by Gian Carlo del Monaco, with conductor Michael Schönanz in French with German subtitles at 7 pm; Jan 10 (8 pm)
● Der Ring des Nibelungen: A new production by Jürgen Tenschert with conductor Dennis Russell Davies at 8 pm; Jan 6 (7 pm), 12
● The Sleeping Beauty: music by Tchaikovsky, Produced and choreographed by Yuri Vámos, conducted by Michel Sason at 8 pm; Jan 1 (7 pm), 5
● Tosca: by Puccini, Conductor, Eugene Kopp, produced by Gian Carlo del Monaco, in Italian at 8 pm; Jan 3, 7 (7 pm)

BRUSSELS

CONCERTS
Philharmonie de Bruxelles Tel: (02) 507 84 34
● Abdel-Rahman El-Shekar: pianist



Viviana Durante in Cinderella, Royal Opera House, London

plays Chopin at 8 pm; Jan 11
● Belgian National Orchestra: with soprano Zsuzsa Misura and baritone Andras Molnar, and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12
● Monnaie Symphony Orchestra: with the Monnaie Choir conducted by Antonio Pappano plays Brahms at 8 pm; Jan 8

GALLERIES
Musée d'Artel Tel: (02) 511 80 84
● Gainsborough to Ruskin: British landscape drawings and watercolours from the Pierpont Morgan Library in New York. Includes paintings by Constable, Turner and other 18th and 19th century artists; to Jan 15 (Not Mon)

CHICAGO

GALLERIES
Art Institute Tel: (312) 443 3800
● Karl Friedrich Schinkel (1781-1841): 100 drawings and prints by the influential German architect; to Jan 2

OPERA/BALLET
Lyric Opera Tel: (312) 332 2244
● Aida: by Verdi, With tenors Lando Bartolini and Kristján Jóhannsson; Jan 2, 7, 10

DUSSELDORF

GALLERIES
Kunstmuseum Düsseldorf Tel: (0211) 8992460
● Daniel-Henry Kahnweiler: a visual summary of the German curator's work with pieces by Gris, Braque, Léger, Klee and Picasso; to Mar 19

FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Radio Symphony Orchestra: Frankfurt: conducted by Einar Inbal plays Weber, Schoenberg and Schumann at 8 pm; Jan 12
GALLERIES
Schirn Kunsthalle Tel: (069) 29 98 82 11
● Asger Jom - Retrospective: 167 works by the Danish painter. The fifth chapter in a series of presentations of postwar European artists; to Feb 12

LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12
● LSO New Year Viennese Concerts: conducted by John Georgiadis, the music of Strauss in this traditional celebration of the New Year at 7.30 pm; Dec 31; Jan 1, 2
● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7
● Johann Strauss: the Johann Strauss Orchestra with director John Bradbury, soprano Marilyn Hill-Smith and the Johann Strauss Dancers plays a programme of music by Strauss. First performance at 3.15 pm, then at 7.30 pm; Jan 1
● Purcell Room Tel: (071) 928 8800
● Mr Sax's Invention: the Mistral Saxophone Quartet celebrates 150 years of the saxophone with a varied programme of music for this most versatile of instruments at 7.30 pm; Jan 8
● Queen Elizabeth Hall Tel: (071) 928 8800
● Gala Concert: New Wind Symphony Orchestra with narration by Richard Baker plays Amos, Holst and Darius at 7.30 pm; Jan 11
● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cynthia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12

GALLERIES
Hayward Tel: (071) 261 0127

● Romantic Spirit in German Art 1790-1900: examines work of early Romantic painters. Includes section on German Expressionists; to Jan 8 ICA Tel: (071) 930 3847
● The Institute of Cultural Anxiety: works of art and science by young British artists such as Angela Bulloch, Liam Gillick alongside works by more established artists such as Jaff Koons and Julian Opie; to Feb 12
National Portrait Tel: (071) 306 0055
● Christina Rossetti: an exploration of the Victorian poet on the centenary of her death; to Feb 12
● The Sitwells: the arts of the 20's and 30's through the eyes of the Sitwells; to Jan 22
Royal Academy Tel: (071) 439 7438
● The Painted Page: Italian Renaissance Book Illustrations from 1450-1550; to Jan 22
Serpentine Tel: (071) 402 0343
● Rebecca Horn: major exhibition of works by the German artist including, 'Kiss of the Rhinoceros'; to Jan 2
Tate Tel: (071) 887 8000
● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8
Victoria and Albert Tel: (071) 938 8500
● Streetscape: tribal dress codes from Harlem in the 40's to new age travellers in the 90's; to Feb 19

OPERA/BALLET
Barbican Tel: (071) 638 8891
● La Bohème: by Puccini, A Travelling Opera production, sung in English at 7.30 pm; Jan 4, 6
● The Marriage of Figaro: by Mozart, A Travelling Opera production, sung in English at 7.30 pm; Jan 5
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouya at 7 pm; Jan 11
Festival Hall Tel: (071) 928 8800
● The Nutcracker: by Tchaikovsky, English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30 pm; Jan 2 (Not Sun)
Royal Opera House Tel: 071 340 4000
● Cinderella: music by Prokofiev. Created by Frederick Ashton in 1943, this was the first full-length ballet by an English choreographer at 7.30 pm; Dec 31; Jan 3
● Swan Lake: by Tchaikovsky, Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Björnson at 7.30 pm; Jan 4 (2 pm)

THEATRE
Gielgud Tel: (071) 494 5085
● Hamlet: by Shakespeare, Directed by Peter Hall, designed by Lucy Hall. With Stephen Dillane, Michael Pennington, Donald Sinden and Gina Bellman at 7.15 pm; to Feb 4 (Not Sun)
Haymarket Tel: (071) 930 8900
● Arcadia: by Tom Stoppard, directed by Trevor Nunn. Two present day historians investigate a possible scandal involving Lord Byron at 7.30 pm; (Not Sun)
National, Cottesloe Tel: (071) 928 2252
● Alice's Adventures Under Ground: adapted from the writings of Lewis Carroll by Christopher Hampton. A look into the darker side of a man known by millions as a storyteller for children at 7.30 pm; Dec 31; Jan 2, 9, 10 (2.30 pm)
National, Lyttelton Tel: (071) 928 2252
● Broken Glass: a new play by Arthur Miller, directed by David Thacker at 7.30 pm; Jan 3, 4 (2.15 pm), 5, 12
● Out of a House Walked a Man: by Danil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 7 (2.15 pm)

● The Children's Hour: by Lillian Hallman, directed by Howard Davies at 7.30 pm; Dec 31 (2.15 pm); Jan 2, 9, 10 (2.15 pm), 11
Palladium Tel: (071) 494 5020
● Oliver: produced by Cameron Mackintosh, directed by Sam Mendes. Cast includes Jonathan Pryce, Sally Dexter and Miles Anderson at 7.30 pm; (Not Sun)
Queen Elizabeth Hall Tel: (071) 928 8800
● Cinderella: by Rossini. The Music Theatre London present this new translation by conductor and musical arranger Tony Britten, and director Nicholas Broadhurst at 7.15 pm; to Jan 3 (Not Sun)
● Rossini's Cinderella: new translation by conductor Tony Britten and director Nicolas Broadhurst at 7.15 pm; Jan 2 (2.15 pm), 3
Royal Court Tel: (071) 730 1745/2554

● The Libertine: by Stephen Jeffreys, directed by Max Stafford-Clark. Comedy based on the works of the 2nd Earl of Rochester at 7.30 pm; to Feb 4
Strand Theatre Tel: (071) 930 8800
● The Prime of Miss Jean Brodie: by Muriel Spark, adapted by Jay Presson Allen, directed Alan Strachan. Miss E. played by Patricia Hodge at 7.45 pm; to Feb 25 (Not Sun)
Wyndhams Tel: (071) 369 1736
● Three Tall Women: by Edward Albee, directed by Anthony Page. With Maggie Smith, Frances de la Tour and Anastasia Hille at 8 pm; (Not Sun)

MUNICH

GALLERIES
Kunsthalle der Hypo-Kulturstiftung
● Paris-Belle Époque: An evocation of the period from 1880 to 1910, with paintings, drawings, posters, photographs, glass and furniture; to Feb 28

NEW YORK

GALLERIES
Brooklyn Museum Tel: (718) 638 5000
● Indian Miniature Paintings: 80 jewel-like paintings from the 15th-19th century; to Jan 8 (Not Mon)
Guggenheim
● The Italian Matamorphosis 1943-1968: a survey of visual arts in the postwar period; to Jan 22
Metropolitan
● Ann Hamilton: exhibition reveals the artist's interest in the relationship between sight and touch; to Jan 3
● Early Renaissance Florence: 100 panel paintings and manuscript illuminations by masters of the Gothic style; to Feb 28 (Not Mon)
● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)
● Thomas Eakins: exhibition honoring the 150th anniversary of the birth of the artist. This installation of about 30 works from the museums holdings explores the museums continuing interest in Eakins; to Feb 28
● William de Kooning's Paintings; to Jan 8 (Not Mon)
Museum of Modern Art Tel: (212) 708 9480
● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24
● Cy Twombly: Comprehensive retrospective of the contemporary American artist; to Jan 10
Whitney Museum
● Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; to Mar 12

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 7.30 pm; Dec 31; Jan 5, 7, 11
● L'Elisir d'Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Guller at 8 pm; Jan 2, 5, 9
● La Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12
● Madame Butterfly: by Puccini at 8 pm; Jan 4, 7, 10
● Peter Grimes: by Britten. English at 8 pm; Dec 31; Jan 3
New York State Theater Tel: (212) 870 5570
● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 8pm, Fri 8 pm. Ring for other times and matinees; to Dec 31 (Not Mon)

THEATRE
Atlantic Tel: (212) 645 1242
● Trafficking in Broken Hearts: by Edwin Sanchez, directed by Anne D. Shapiro. Love story set in New York; to Jan 1
Manhattan Theatre Club Tel: (212) 581 1212
● Lovel Velour Compassion: latest play by Terrence McNally (of Kiss of the Spiderwoman fame), directed by Joe Mantello. Sun, performance at 7pm otherwise at 8 pm; to Jan 1 (Not Mon)
Minskoff Theatre Tel: (212) 307 4007
● Sunset Boulevard: directed by Billy Wilder, music by Andrew Lloyd Webber. Finally arrived in New York with Glenn Close playing Norma Desmond at 8 pm; (Not Mon)
New York State Theater Tel: (212) 870 5570
● Slaves: Thinking About the Long Standing Problems of Virtue and Happiness. Tony Kushner's latest work directed by Lisa Peterson at 8 pm; (Not Mon)
Plymouth Theatre Tel: (212) 239 6200
● Passion: music and lyrics by Stephen Sondheim. Winner of four Tony awards at 8 pm; (Not Sun)
Promenade Theatre Tel: (212) 239 6200
● Three Tall Women: Edward Albee's Pulitzer Prize winning drama about a 92 year old widow contemplating her life. Sun, 3pm, otherwise at 8 pm; (Not Mon)

Richard Rodgers Theatre Tel: (212) 307 4100
● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8
Shubert Theatre Tel: (212) 239 6200
● Crazy for You: by Ken Ludwig, directed by Mike Ockrent. Tony award winning musical loosely based on Gershwin's Girl Crazy at 8 pm; (Not Mon)
Vineyard Theatre Tel: (212) 353 3874

● American Dreaming: by Chiori Miyagawa, directed by Michael Meyer. The story of a Japanese-American mixed marriage with an eclectic mixture of classical and contemporary music from East and West at 8 pm; to Aug 1 (Not Sun)

Vivian Beaumont Tel: (212) 239 6200

● Carousel: revival of the 1945 Rodgers and Hammerstein musical at 8 pm; (Not Mon)

PARIS

GALLERIES
Grand Palais Tel: (1) 44 13 17 17
● Gustave Gullier: retrospective of the painter and patron of art who belonged to the circle of impressionists; to Jan 9
● Poussin: 400th anniversary retrospective; to Jan 2
Institut du Monde Arabe Tel: (1) 40 51 38 38
● Delacroix in Morocco: Delacroix's visit in 1832, when he was 34, made a lasting impression on his art; to Jan 15 (Not Mon)
Musée d'Art Moderne, Ville da Paris Tel: (1) 47 23 61 27
● André Derain: 350 works spanning his entire career; to Mar 19 (Not Mon)

Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Pao Arillas at 8.30 pm; to Jan 7
Champs Élysées Tel: (1) 47 23 37 21/47 20 08 24
● Nutcracker: Tchaikovsky's ballet performed by the Kirov ballet company, St. Petersburg at 8.30 pm; Dec 31
Opéra Comique Tel: (42 96 12 20
● Une Petite Flûte Enchantée: Mozart's Magic Flute, Matinee on 23/12 at 2.30 pm; at 7.30 pm; Dec 31
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Swan Lake: by Tchaikovsky. Choreographed and produced by Rudolf Nourev. Conducted by Vello Pähn/Emmano Florio at 7.30 pm; to Dec 31 (Not Sun)

VIENNA

GALLERIES
Kunsthalle ● Oskar Schlemmer: a comprehensive survey of work by the Bauhaus artist. Closed Tue; to Jan 29

WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 487 4600
● Black Nativity: Langston Hughes's retelling of the Christmas story through gospel music and dance at 7.30 pm; to Jan 1
● New Year's Eve at the Kennedy Center: Members of the National Symphony Orchestra perform popular tunes and waltzes at 9 pm; Dec 31
● Yo-Yo Ma: the cellist along with pianist Emanuel Ax, violinist Pamela Frank, clarinetist Paul Meyer and flutist Eugenia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11
GALLERIES
National Gallery Tel: (202) 737 4215
● Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the Cathedrals of Florence, Pavia and St. Peter's; to Mar 19
● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8
Sackler Tel: (202) 357 2700
● Landscape as Culture: Lois Conner travels through Asia recording architecture and landscapes with her 100 year old banquet camera; to May 30
● Paintings from Shiraz: the arts of the Persian book created in the city of Shiraz during the 14th-16th century; to Sep 24

OPERA/BALLET
Washington Opera Tel: (202) 418 7800
● Semele: by Handel. Conductor Martin Pearlman, Roman Terlecky directs a Zack Brown production at 8 pm; Jan 7 (7 pm), 9 (7 pm)
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Dec 31; Jan 2, 8 (2 pm)
THEATRE
Arena Stage Kreger Theater Tel: (202) 554 9066
● Misalliance: by Bernard Shaw, directed by Kyle Donnelly; to Jan 8
Ford's Theatre Tel: (202) 347 4833
● A Christmas Carol: Charles Dickens' classic directed by David Bell;

Olney Tel: (703) 924 3400
● Cinderella: Rogers and Hammerstein musical version of the classic fairytale, directed by Mark Waldrop at 7.30 pm; to Dec 31
Shakespeare Tel: (202) 393 2700
● School for Scandal: by Sheridan. Directed by Joe Dowling at 8 pm; to Jan 7

ZURICH

GALLERIES
Kunsthhaus Zürich
● Degas-The Portraits: a major new exhibition on the portraits of Edgar Degas; to Mar 5

CHESS

For one glorious moment in Moscow, England seemed poised to snatch the Olympiad gold medals, defying team squabbles and an indifferent start. They led the top seeded Russians by half a point with two rounds left, and began the decisive match with some promising positions.

Then Kasparov reasserted his jinx over Nigel Short, England lost 1-3, and were edged out of even the bronze medals.

Still, it was a good result. Russia, Bosnia, and Russia II won the men's Olympiad while Georgia, Hungary and China led the women but England's fourth (men) and equal sixth (women) placings were the best by a western country.

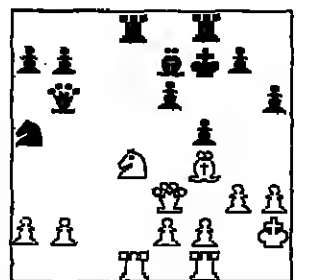
Short, Adams, Speelman and Harriet Hunt were England's best players, but great credit is due to Duncan Lawrie and his chief Nick Grant. The Belgravia private bank has supported all England teams in the 1980s and 1990s. Only the Russians have a better record in that period.

Off-board, the Olympiad had its problems. Venturing out of the heavily guarded Hotel Cosmos, the Macedonians were robbed, an American mugged, and the Irish only rescued by handbag-wielding babushkas.

Some individual medals were awarded to the wrong players. Short's fastest win (N Short, White; V Malishauskas, Black):

1 e4 c6 2 d4 d5 3 e5 Bf5 4 Nf3 e5 5 Be2 c5 6 Be3 cxd4 7 Nxd4 Bg6 8 0-0 Nc6 9 d4 Nge7 10 Nc3 Nxd4 11 Bxd4 dxc4 12 Nb5 Nc6 13 Bxc4 Nxd4 14 Nxd4 Bc5? 15 Qd4+ Ke7 16 Nb3 Qb6 17 Rael Rhc8 18 Be2 Kf8 19 Rxc6! Rxc6 20 Qa3 Resigns.

No 1055
Julian Hodgson v Loek van Wely, Moscow 1994. This position gave England the Olympiad lead; can you find White's winning move (easy) and his eight-move sequence which



forced mate or decisive material gain (harder)?
Solution Page X

Leonard Barden

BRIDGE

Today's hand, believe it or not, occurred in a world championship:

N
♠ A K Q 8 7
♥ A 8 5
♦ A 10 7 2
♣ 4 3
W
♠ 8 7 4 3
♥ 6 2
♦ Q J 4 3 2
♣ 4 3
E
♠ K J 9
♥ 10 9 5 4 3
♦ 10 6
♣ K J 6

With neither side vulnerable, North dealt and opened with one heart. South replied with one spade, to which North rebid two diamonds - fourth suit forcing - and West doubled. What did he think this would accomplish? North redoubled and South, holding three diamonds to the king, decided to pass.

West led the diamond two, won by the ace, and declarer crossed to his spade ace and ruffed a spade in dummy. He

crossed to his heart knave and ruffed another spade with dummy's final trump. Cashing the heart ace, on which he discarded one club, South followed with dummy's heart king, discarding another club. This was ruffed by West, who switched to the club four.

Winning with dummy's ace, declarer played the heart queen, throwing his last club, and West ruffed.

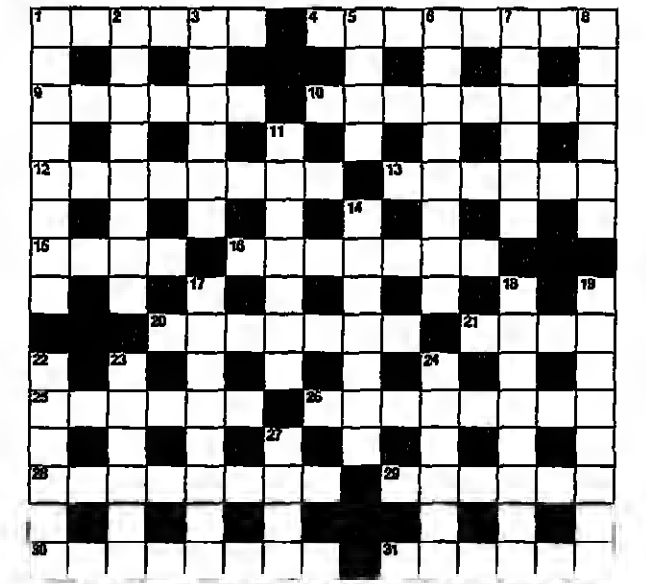
Now West's eight of spades was ruffed by East, and a heart return was ruffed and over-ruffed. West's club return was ruffed by the declarer's diamond king for his eighth trick, and West made the diamond queen.

For making two diamonds redoubled, North-South scored 510 points. In the other room, North-South played in three no-trumps, making 11 tricks. So, West's insurance cost only two BPs. But if West at trick 10 had not led a spade for East to ruff, it would have been really expensive.

E.P.C. Cotter

CROSSWORD

No. 8,648 Set by DINMUTZ
A prize of a classic Pelikan Sovereign 600 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday January 11, marked Crossword 8,648 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 5HL. Solution on Saturday January 14.



Name _____
Address _____

ACROSS
1 Underwood no longer bowling in Connecticut? (6)
2 Ancient Greek letter-order? (8)
3 She-devil on the way out, given new head (6)
4 Hospital study and its no need of shock treatment? (8)
5 Feller-racer who never wins? (6-3)
6 For musically very long attack (6)
7 16 Poet who used indelible ink? (4,7)
8 Order to gardener to finish dance (7)
9 Also holds catch in West Indian island (6)
10 Shock result of his at university? (9)
11 Areas for spectators in Chester race season? (8)
12 Location of motorway place in France (6)
13 Paper scattered after match (8)
14 Dickens of a setting for cricket at home? (6)
DOWN
1 O, boy! rich perhaps from this treble? (8)
2 Furch providing some cover and a handball (8)
3 Hurries to see early prints in the studio (6)
4 Conference, say, for quiet listener (4)
5 Chinese white, for example (8)
6 O'Neill's character in a cinema production (6)
7 Curiously, Lycos is being repaired (6)
8 Coach cooaled nothing in this Samual code (7)
9 Rubbish from last of the two woods (7)
10 Kind of clock in Jarndyce v Jarndyce, for example? (8)
11 Most of household taking fresh air? That is customary (8)
12 Hugh a lot disturbed - not with standing, we hear (8)
13 Still it spoils television reception (6)
14 Fancy robe on character in wood near Athens (6)
15 Perfectly good apprentice? (8)
16 Crooked and leaning (4)

WINNERS 8,648: J. Stephen, Harrogate; S.R. Beech, Bollington, Cheshire; Jane Butler, Longborough, Leics; K.H. Holland, Trench Point, Argyll; R. Hunt, Ramford, St Helens; C. Yapp, Kemot, Glos.

Academic allies under different flags

Peter Aspden finds that war studies and peace studies are not that far apart



WAR AND PEACE

The end of 'Us and Them'

On his first day as professor of war studies at King's College, London, Lawrence Freedman barely had time to think about his forthcoming duties; it was the day Argentina invaded the Falkland Islands. Eight years later, misfortune began to look like carelessness when, on the opening day of the college's new centre for defence studies, Iraq invaded Kuwait.

"I suppose it was apt," notes Freedman dryly. He talks of invasion dispassionately, as befits one who spends his time studying the intricacies and nuances of warfare in all its grizzly manifestations, from the fall of Periclean Athens to the latest Bosnian Serb incursion.

Meanwhile, Paul Rogers of the University of Bradford covers much of the same territory: how wars are started, how they might be resolved, how they can be avoided in the first place; the only difference is that he is a professor of peace studies.

The two men would appear to be on opposite sides of the most ancient human dialectic of them all: both are keen to underplay their differences and stress a common approach. Their differences might have been more apparent at the beginning of the 1980s, when Rogers' department was under attack from the right for its trenchant criticism of the nuclear arms build-up.

But then came the end of the cold war and the mutation of the bipolar balance of terror into a series of vicious and complicated struggles all round the globe. Suddenly, the "Us and Them" model of international relations looked, to western eyes at least, hopelessly crude and irrelevant. And Freedman and Rogers have found themselves co-opting on each other's territory.

Having said all that, Rogers is keen to emphasise his adherence to the values of the Quakers who helped establish his department in the early 1970s as a forum for the study and promotion of peace.

Borrowing from Sir Isaiah Berlin's distinction between two definitions of liberty, a distinction is made between negative peace – the absence of war – and positive peace – the establishment of socio-economic conditions under which a peaceful society can flourish. The

latter area gives the department its broad scope. Rogers gives as an example of barriers to peace the under-investment in the former Soviet Union by western powers, and in the Middle East by the oil-rich Gulf states. "It is a failure to look in the long term which is the root cause of so many troubles."

Freedman, on the opposite side of the coin, would not doubt see the "obstacles to positive peace" as "potential threats to security"; it is, I suggest, the same area of study viewed from a different perspective. "I suppose it is a case of us looking at the dark side, almost looking for situations which are

about to break down. But we obviously are not looking to promote war. If you work at the Institute of Tropical Diseases, it doesn't mean you want to help spread them," he answers.

"Put it this way – I was very pleased to have appointed an expert in Yugoslavia in 1990, firstly because he was very good and secondly because you could see what was going to happen there a mile off." I mention that his appointments to the department could be seen as a kind of curse, which he finds a compelling idea. "Well, at the moment, I am looking for a specialist in northern Africa."

Rogers agrees with Freedman's prognosis, applying his own perspective. "You have all the conditions there which impede any prospect of real peace: huge unemployment and disempowerment, a very autocratic government and a host of fundamentalist groups looking for support."

One difference between the two departments is that Bradford has a strong training element – students are taught how to keep the peace. Conflict resolution is also an important research theme. James Smith, a lecturer who has spent three years in each institution, recently spent some time with United

Nations troops in Croatia, discovering the daily difficulties they faced. "Their phone lines are cut up to 50 times a day, some of them end up clearing the same mine up to a dozen times. It is very demoralising for them," he says.

I ask Freedman if he ever feels like he is training his students for war. "We cannot teach people how to fight wars, we are not a training organisation at all. We believe in the good old liberal academic values, reason and freedom. As Hedley Bull said, good scholarship is subversive of all causes."

But are there not unbearable tensions when students from certain countries are put together? "It can be difficult, but we don't ask people to change their allegiances or views. We hope they come to accept that it is good to converse in neutral territory." I put it to Rogers that both he and Freedman shared a fundamentally pessimistic view of the world, one which cannot see the cycle of war and peace in human affairs ever reaching an end. He demurs: "If we had been having this conversation 12 years ago, we would have been talking about mutually assured destruction. The end of the cold war has provided us with a window of opportunity, but it must be exploited."

Both men are scornful of the "end of history" thesis which sees the fall of the Berlin Wall as signalling the triumph of the west. Malcolm Dando, a lecturer at Bradford, provides his own epitaph for the Dr Strangelove era: "I don't think we won – I think we all got through by the skin of our teeth." In the meantime, the two departments continue to talk to each other, to try and make sense of what has replaced the rapid intensity of the cold war years. The two institutions have even set up an annual football match. Bradford recently won 3-1. "The referee was our mediation specialist," says Rogers.

Private View / Christian Tyler

No rest for peace broker on sidelines

One of the first politicians of stature to risk his reputation in the graveyard of Bosnia was Lord Carrington.

The British Tory grandee, former foreign secretary and head of Nato.

For 12 months between 1991 and 1992 he and Jose Guterres of Portugal tried on behalf of the European Union to broker a peace in the ruins of Yugoslavia. They failed.

With American "sell-out" echoing ever more insistently across the Atlantic, and with the former US president Jimmy Carter now trying his hand as mediator, I went to ask Lord Carrington what lesson we should draw from the Bosnian disaster.

"Oh, I think the lesson I draw is that you should never intervene in a civil war – and this is very clearly a civil war – unless you are prepared to take sides," he said.

"You have to say that the Serbs, or the Muslims, or the Croats are right and be prepared to fight for them. But to put yourself in a position in which you are trying to hold the fort, which the UN has been trying to do, is impossible."

Later he said: "We're really always known whose side we're on."

Whose side are we on? I asked. But the former negotiator did not reply directly. The international community, he concluded, was totally divided. "People tried to make it black and white – the Americans certainly – and to say that the Serbs are wholly wrong. But the Serbs have got a case."

"I mean, they are awful in the sense that they carry their case to the most ridiculous and cruel limits, but they have a case. And the Croats have a case. And the Bosnians have a case."

But who in your opinion is in the wrong?

"I don't think any of them are particularly in the wrong. They are all in the wrong. And all have some right on their side."

So it is impossible for us to take sides?

"You could easily have taken

sides. Whether you would have been right or not and whether you would have carried the international community with you would be a different matter."

I said: many commentators, especially in the US, say Europe is secretly on the side of Serbia.

"Why do they say that?"

"They say we act as if we are. But that's because we're not acting as if we were on the other side."

"You could make out a very good argument – though it would be considered probably very callous – that by intervening at all we have actually caused more casualties, more ethnic cleansing, more misery than if we'd never intervened at all."

"Because if we had not intervened, this thing would have been settled two years ago. There would have been some very unhappy people, but at the end of all this there are going to be very unhappy people whatever happens."

It is the familiar realpolitik line which has upset front-line observers and armchair pundits alike. In the mouth of a man less courteous and affable, less distinguished and civilised than Peter Carrington, it could have sounded merely cynical.

The seventh baron received me at the garden gate of his London hideaway, a large cottage in Knightsbridge quite invisible from the street. A team of gardeners was pruning shrubs and stripping ivy from the walls.

Lord Carrington has the pedigree of a model English gentleman: Eton, Sandhurst, the Grenadier Guards, a Military Cross won at the end of the second world war, and a string of political appointments dating back to Winston Churchill's post-war government.

Because of his rank and wealth, Carrington's appetite for public service and high office – though not, apparently, for the premiership – could never be called vulgar ambition. His was the independent voice of moderation in Margaret Thatcher's radical administration until the Argentines invaded the Falkland Islands and the foreign secretary fell virtuously on to his sword.

"We got it wrong," he said. "There are all sorts of explanations but we did get it wrong and therefore somebody had to take responsibility for it. It's not very fashionable perhaps," he laughed. "It was very painful."

The worst moment of your career?

"Oh, of course, yes. Very unpleasant. I'd always wanted to be foreign secretary. It's not very nice to have to resign in those sort of circumstances."

Lord Carrington is among those who argue that Europe's fatal mistake in former Yugoslavia was to recognise Croatian and Slovenian independence prematurely. That, he said, torpedoed the constitutional conference and raised the question of Bosnia's status. "And it was quite clear that if you asked the Bosnians whether they wanted their independence there was going to be a civil war," he said.

Would you agree that Bosnia has been very embarrassing for us west Europeans?

"Yes, very. And it's brought the UN and Nato into disrepute as well as the European Union. And all had good intentions."

Is this impotence not only embarrassing but also dangerous?

"Very."

What sort of consequences could it have?

"The Balkans are the Balkans, as we know from old Bismarck's remark. (Bismarck said the region was not worth the bones of a Pomeranian grenadier.) "But there is a danger that people will feel that in other situations the UN is well-meaning but impotent, that it will only hold the ring if there is no fighting."

What upsets people, I said, is not just our collective impotence, but the feeling that we have failed morally.

"I don't go along with that. Partly because of television, which has made an enormous difference to people's perceptions, and partly because of the press and the media which are bringing it daily into your life, we think that all these



Tony Anderson

problems are capable of being solved. I think some are not.

"And it's all very well for people, frankly, to say that they feel morally culpable. Would they actually have advocated British troops going in there and suffering casualties – and really quite a lot of casualties – to stop this? It was quite clear that

no western government was prepared to do that."

"So it's all right round the dinner table to say that you feel humiliated and so on. But would you get up on a platform and say you'd send British soldiers in there to get killed?"

Lord Carrington conceded that professional soldiers might be pre-

pared to die under a UN flag but their governments were not going to take that responsibility because of the likely public and media reaction.

"I mean, it's no good wringing your hands if you're not prepared to do something about it. And that's what the great British public, the

great American public, the great every public is doing."

We don't know that until we've tried, do we?

"We've a pretty good idea."

At another point Lord Carrington asked: "Can you say there is a British national interest in what happens in Bosnia?"

Plainly there isn't, I agreed.

"In that case, can a government send in British soldiers?"

If there is no British interest, nor French, then who is going to keep the peace? Nobody's got an interest yet everyone's got an interest.

Lord Carrington answered by saying that the European interest probably consisted of making sure that the war was contained within the former Yugoslavia's borders. If it spread outside, we were bound to intervene against the aggressor.

"In a sense," he said later, "it's a faraway country of which we know nothing, or whatever Chamberlain's words were. But I don't think that what we have done is 'appeasement'. What I think is extremely unfair is the attack on General Rose [commander of the UN forces]. I'm not pro-Serb. I'm not pro-anybody. They all have a case."

Lord Carrington is 75 now, but still a vigorous man. After I had asked him about his resignation he reflected: "Politics isn't the be-all and end-all of everyone's existence – as Monsieur Delors has said."

Many people would say you were born lucky, I said, in that you could afford to treat politics with some detachment.

"One was more independent," he agreed, "in the sense that this wasn't the only thing in my life. It wasn't the career on which I depended for my livelihood. So I was lucky in that sense."

Do you tell yourself that there's nothing more you can do about it – that you won't be around for whatever next horror is in preparation?

Lord Carrington laughed. "You mean, *après moi le déluge*? No, I would like very much to see a resolution of Nato's problems. The US must stay involved, and we should get Nato sorted out to our satisfaction. Certainly the Russians ought not to have a veto over what we do, although we should do everything we can to carry them along and accommodate them. But I do feel there is a new uncertainty in the world."

Are you glad to be out of it all?

"Oh no! Of course not. Why would one be glad to be out of it?"

The nimble peer sprang to his feet, and escorted me down the front path to the garden gate.

British minister
accused of lying
in parliament